

1                   IN THE UNITED STATES DISTRICT COURT  
2                   FOR THE NORTHERN DISTRICT OF OHIO  
3                   EASTERN DIVISION

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5   IN RE: NATIONAL                   ) MDL No. 2804  
6   PRESCRIPTION OPIATE               )  
7   LITIGATION                         ) Case No.  
8   -----                   ) 1:17-MD-2804  
9                   )  
10   THIS DOCUMENT RELATES TO         ) Hon. Dan A. Polster  
11   ALL CASES                         )  
12   -----                   )

13                   HIGHLY CONFIDENTIAL  
14                   SUBJECT TO FURTHER CONFIDENTIALITY REVIEW

15                   VIDEOTAPED DEPOSITION OF  
16                   CHRISTOPHER DOMZALSKI  
17                   January 17, 2019

18                   Chicago, Illinois

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21                   GOLKOW LITIGATION SERVICES  
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24

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<p>1 The videotaped deposition of</p> <p>2 CHRISTOPHER DOMZALSKI, called by the Plaintiffs for</p> <p>3 examination, taken pursuant to the Federal Rules of</p> <p>4 Civil Procedure of the United States District</p> <p>5 Courts pertaining to the taking of depositions,</p> <p>6 taken before CORINNE T. MARUT, C.S.R. No. 84-1968,</p> <p>7 Registered Professional Reporter and a Certified</p> <p>8 Shorthand Reporter of the State of Illinois, at the</p> <p>9 offices of Bartlit Beck LLP, Suite 600, 54 West</p> <p>10 Hubbard Street, Chicago, Illinois, on</p> <p>11 January 17, 2019, commencing at 9:08 a.m.</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p>	<p>1 APPEARANCES (Continued):</p> <p>2 ON BEHALF OF McKESSON CORPORATION:</p> <p>3 TABET DIVITO &amp; ROTHSTEIN LLC</p> <p>4 209 South LaSalle Street, 7th Floor</p> <p>5 Chicago, Illinois 60604</p> <p>6 312-762-9461</p> <p>7 BY: KYLE A. COOPER, ESQ.</p> <p>8 kcooper@tdrlawfirm.com</p> <p>9</p> <p>10 ON BEHALF OF CARDINAL HEALTH, INC.:</p> <p>11 ARMSTRONG TEASDALE LLP</p> <p>12 7700 Forsyth Boulevard, Suite 1800</p> <p>13 St. Louis, Missouri 63105</p> <p>14 314-621-5070</p> <p>15 BY: JULIE FIX MEYER, ESQ.</p> <p>16 jfixmeyer@ArmstrongTeasdale.com</p> <p>17</p> <p>18 ON BEHALF OF AMERISOURCE BERGEN CORPORATION:</p> <p>19 JASZCZUK, P.C.</p> <p>20 311 South Wacker Drive, Suite 3200</p> <p>21 Chicago, Illinois 60606</p> <p>22 312-442-0509</p> <p>23 BY: MARGARET M. SCHUCHARDT, ESQ.</p> <p>24 mschuchardt@jaszczuk.com</p> <p>ON BEHALF OF WALMART:</p> <p>JONES DAY</p> <p>77 West Wacker Drive</p> <p>Chicago, Illinois 60601-1692</p> <p>312-782-3939</p> <p>BY: CHRISTINE D. PROROK, ESQ.</p> <p>cprorok@jonesday.com</p>
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<p>1 APPEARANCES:</p> <p>2 ON BEHALF OF THE PLAINTIFFS:</p> <p>3 LEVIN PAPANTONIO THOMAS MITCHELL</p> <p>4 RAFFERTY &amp; PROCTOR P.A.</p> <p>5 316 South Baylen Street, Suite 600</p> <p>6 Pensacola, Florida 32502</p> <p>7 205-396-3982</p> <p>8 BY: PETER J. MOUGEY, ESQ.</p> <p>9 pmougey@levinlaw.com</p> <p>10 -and-</p> <p>11 LAURA DUNNING, ESQ.</p> <p>12 ldunning@levinlaw.com</p> <p>13 (via livestream)</p> <p>14 ON BEHALF OF WALGREENS BOOTS ALLIANCE, INC.</p> <p>15 aka WALGREEN CO. and THE DEPONENT:</p> <p>16 BARTLIT BECK LLP</p> <p>17 1801 Wewatta Street, Suite 1200</p> <p>18 Denver, Colorado 80202</p> <p>19 303-592-3177</p> <p>20 BY: LESTER C. HOUTZ, ESQ.</p> <p>21 Lester.Houtz@bartlitbeck.com</p> <p>22 ON BEHALF OF ENDO HEALTH SOLUTIONS INC. and</p> <p>23 ENDO PHARMACEUTICALS, INC.,</p> <p>24 PAR PHARMACEUTICAL, INC., and PAR PHARMACEUTICAL</p> <p>COMPANIES, INC. (f/k/a Par Pharmaceutical</p> <p>Holdings, Inc.):</p> <p>ARNOLD &amp; PORTER KAYE SCHOLER LLP</p> <p>700 Louisiana Street, Suite 400</p> <p>Houston, Texas 77002-2755</p> <p>713-576-2400</p> <p>BY: HANNAH D. SIBISKI, ESQ.</p> <p>hannah.sibiski@arnoldporter.com</p> <p>(via telephone/livestream)</p>	<p>1 ALSO PRESENT:</p> <p>2 ALEXANDRA M. GARLOCK, Paralegal</p> <p>3 agarlock@levinlaw.com</p> <p>4 KAROLYNN SCHNEEGAS, Paralegal</p> <p>5 kschneegas@levinlaw.com</p> <p>6 Levin Papantonio Thomas Mitchell</p> <p>7 Rafferty &amp; Proctor P.A.</p> <p>8</p> <p>9 RODERRICK CONCEPCION, Trial Technician</p> <p>10</p> <p>11 VIDEOTAPED BY: BEN STANSON</p> <p>12</p> <p>13 REPORTED BY: CORINNE T. MARUT, C.S.R. No. 84-1968</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p>

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<p>1 I N D E X</p> <p>2 CHRISTOPHER DOMZALSKI EXAMINATION</p> <p>3 BY MR. MOUGEY..... 9</p> <p>4</p> <p>5</p> <p>6 E X H I B I T S</p> <p>7 WALGREENS-DOMZALSKI EXHIBIT MARKED FOR ID</p> <p>8 No. 1 LinkedIn Profile, Chris 16 Domzalski; P-WAG-02504</p> <p>9</p> <p>10 No. 2 11/13/14 e-mail with 29 attachments; WAGMDL00734289 - 00734380</p> <p>11</p> <p>12 No. 3 11/19/10 Internal Audit Report; 105 WAGFLDEA00001767 - 00001775</p> <p>13 No. 4 11/13/14 e-mail string with 116 attachment; WAGMDL00734929 - 00735453</p> <p>14</p> <p>15 No. 5 U.S. Code Annotated Title 21, 137 Sections 801, 812, 821, 823</p> <p>16</p> <p>17 No. 6 U.S. Code Annotated Title 21 141 C.F.R. Section 1301.74</p> <p>18 No. 7 9/27/06 letter from U.S. DOJ 150 DEA; MCKMDL00478906 - 00478909</p> <p>19</p> <p>20 No. 8 2/7/07 letter from U.S. DOJ 160 DEA; ABDCMDL00269687 - 0026960</p> <p>21 No. 9 12/27/07 letter from U.S. DOJ 163 DEA; MCKMDL00478910 - 00478911</p> <p>22</p> <p>23</p> <p>24</p>	<p>1 THE VIDEOGRAPHER: We are now on the record.</p> <p>2 My name is Ben Stanson. I'm a videographer for</p> <p>3 Golkow Litigation Services.</p> <p>4 Today's date is January 17, 2019, and</p> <p>5 the time is 9:08 a.m.</p> <p>6 This video deposition is being held in</p> <p>7 Chicago, Illinois, in the matter of the National</p> <p>8 Prescription Opiate Litigation, MDL No. 2804,</p> <p>9 pending in the U.S. District Court, Northern</p> <p>10 District of Ohio, Eastern Division.</p> <p>11 The deponent is Christopher Domzalski.</p> <p>12 Will counsel please identify yourselves</p> <p>13 for the record.</p> <p>14 MR. MOUGEY: Peter Mougey, Levin Papantonio,</p> <p>15 for the Plaintiffs.</p> <p>16 MS. GARLOCK: Alexandra Garlock for the</p> <p>17 Plaintiffs.</p> <p>18 MS. SCHNEEGAS: Karolynn Schneegas for the</p> <p>19 Plaintiffs.</p> <p>20 MS. PROROK: Christine Prorok from Jones Day</p> <p>21 on behalf of Walmart.</p> <p>22 MS. FIX MEYER: Julie Fix Meyer, Armstrong</p> <p>23 Teasdale, on behalf of Cardinal Health.</p> <p>24 MS. SCHUCHARDT: Margaret Schuchardt, Jaszczuk</p>
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<p>1 E X H I B I T S</p> <p>2 WALGREENS-DOMZALSKI EXHIBIT MARKED FOR ID</p> <p>3 No. 10 PowerPoint, "Walgreen Co. 171 Controlled Substance</p> <p>4 Anti-Diversion and Compliance</p> <p>5 Program"; WAGMDL0000659801 - 00659856</p> <p>6 No. 11 7/11/12 Board of Directors 181 meeting minutes; WAG000001 - 000043</p> <p>7</p> <p>8 No. 12 Binder of documents beginning 196 with Settlement and Memorandum 9 of Agreement; P-WAG-0001</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p>	<p>1 PC, on behalf of AmerisourceBergen Drug Company.</p> <p>2 MR. COOPER: Kyle Cooper, Tabet DiVito &amp;</p> <p>3 Rothstein, on behalf of McKesson Corporation.</p> <p>4 MR. HOUTZ: Les Houtz from Bartlit Beck on</p> <p>5 behalf of Walgreens.</p> <p>6 THE VIDEOGRAPHER: Will counsel on the phone</p> <p>7 please identify yourselves.</p> <p>8 MS. SIBISKI: Hannah Sibiski of Arnold &amp;</p> <p>9 Porter on behalf of Endo Health Solutions, Inc.,</p> <p>10 Endo Pharmaceuticals, Inc., Par Pharmaceutical,</p> <p>11 Inc., Par Pharmaceutical Company, Inc.</p> <p>12 THE VIDEOGRAPHER: Thank you. Our Court</p> <p>13 Reporter today is Corinne Marut. Will you please</p> <p>14 swear in the witness.</p> <p>15 (WHEREUPON, the witness was duly</p> <p>16 sworn.)</p> <p>17 CHRISTOPHER DOMZALSKI,</p> <p>18 called as a witness herein, having been first duly</p> <p>19 sworn, was examined and testified as follows:</p> <p>20 EXAMINATION</p> <p>21 BY MR. MOUGEY:</p> <p>22 Q. Good morning, Mr. Domzalski. Peter</p> <p>23 Mougey. I represent the Plaintiffs in this case.</p> <p>24 My understanding is before we get</p>

<p style="text-align: right;">Page 10</p> <p>1 started you had -- you wanted to make a statement  2 regarding some health issues.  3 A. Yes, that's true.  4 Q. Okay. Do you want to go ahead and do  5 that?  6 A. Sure.  7 MR. HOUTZ: And before you begin, I've noticed  8 already your voice is a little soft. So, try to  9 speak up --  10 THE WITNESS: Okay.  11 MR. HOUTZ: -- throughout the deposition.  12 THE WITNESS: Yes, I have recently been  13 diagnosed with mild cognitive impairment of the  14 amnesty type. During May, June time frame I  15 started having some memory lapse issues that caused  16 both myself and my wife to be concerned.  17 So, I went through first my primary care  18 physician to see if there were any underlying  19 causes from medications. We went through that  20 process. Ultimately he recommended or referred me  21 to a neurologist.  22 Before meeting with the neurologist I  23 had a series of neurological, psychological testing  24 done as well as an MRI. The psychological testing</p>	<p style="text-align: right;">Page 12</p> <p>1 Q. Because you are no longer a Walgreens  2 employee, correct?  3 A. That is correct.  4 Q. Would you tell me what time frame you  5 relayed this information you just, the statement  6 you just made to your counsel?  7 A. During the prep sessions.  8 Q. And when were those prep sessions?  9 A. I can't remember if the discussion was  10 last week or early this week. We had three prep  11 sessions.  12 Q. My days are running together. Today is  13 Thursday.  14 A. Today is Thursday.  15 Q. So, either early this week or last  16 week --  17 A. Yes.  18 Q. -- is when you relayed the statement you  19 just made on the record to your counsel?  20 A. Correct.  21 Q. You're currently still employed,  22 correct?  23 A. Correct.  24 Q. And the diagnosis, have you relayed the</p>
<p style="text-align: right;">Page 11</p> <p>1 identified the mild cognitive impairment issue.  2 That was followed by my meetings with  3 the neurologist who reviewed that set of data that  4 was prepared by the neuropsychologist within her  5 own practice and did her own evaluation and also  6 diagnosed a mild cognitive impairment.  7 I asked the neuropsychologist regarding  8 the deposition as to her opinion as to what the  9 implications of the deposition might be on me. She  10 indicated just a couple of things.  11 One is that it might be difficult for me  12 to recall memories out of my memory bank and, in  13 addition, she just couldn't indicate what the  14 impact of the deposition questioning would have on  15 me from a psychological perspective.  16 But in terms of the diagnosis, that's  17 where we stand. We're awaiting some further test  18 results from a spinal tap that was performed  19 mid-December.  20 BY MR. MOUGEY:  21 Q. First, sir, I'm sorry to hear that.  22 Secondly, are you represented today by  23 Bartlit and Beck?  24 A. Yes, I am.</p>	<p style="text-align: right;">Page 13</p> <p>1 diagnosis to your current employer?  2 A. I'm awaiting the results from the spinal  3 tap before making that discussion, having that  4 discussion.  5 Q. So, no, you have not -- it hasn't  6 impacted your job to the extent that you have felt  7 compelled to relay the preliminary diagnosis to  8 your employer, correct?  9 A. That is correct.  10 Q. Have you ever given testimony in any  11 deposition, sworn statement prior to today?  12 A. No, I have not.  13 Q. A couple maybe housekeeping issues.  14 There is a few screens around the room. One of  15 them is the monitor behind you. And the -- or not  16 behind you. To the side of you. And the screens  17 in front of you.  18 And we -- I will hand you a paper copy  19 and you will have a paper copy and the document  20 will be on the monitor. You can obviously refer to  21 whichever one you'd prefer. And sometimes it's  22 easier if you're trying to find where I am in the  23 doc, it will be -- we will highlight the section on  24 the document that I'm referring to. Okay?</p>

<p style="text-align: right;">Page 14</p> <p>1 A. Okay.</p> <p>2 Q. And also I guarantee during the course</p> <p>3 of today that I -- you'll take a breath and I will</p> <p>4 speak over you or you're not finished with your</p> <p>5 answer and I'll talk over you. Okay.</p> <p>6 I don't mean to be rude or -- what I</p> <p>7 need you to do is tell me, "I'm not finished with</p> <p>8 my answer," and I'll stop and you can continue.</p> <p>9 Okay?</p> <p>10 A. Okay.</p> <p>11 Q. So I guarantee that will happen. So, if</p> <p>12 you take a breath, I think you're finished and I'll</p> <p>13 keep moving. All right?</p> <p>14 Let me go back to your -- the statement</p> <p>15 that your counsel just passed along to me in the</p> <p>16 hallway.</p> <p>17 Are you on any medications at this point</p> <p>18 as a result of this diagnosis?</p> <p>19 A. I am not.</p> <p>20 Q. Now, I thought you mentioned during your</p> <p>21 statement that you and your wife wondered if the</p> <p>22 what you were perceiving to be a memory issue was a</p> <p>23 result of some of the medications you were on?</p> <p>24 A. That's correct.</p>	<p style="text-align: right;">Page 16</p> <p>1 going to mark as Domzalski 1, which I believe is</p> <p>2 your LinkedIn CV.</p> <p>3 MS. SIBISKI: Does this document have a Bates</p> <p>4 number? This is Hannah Sibiski.</p> <p>5 MR. MOUGEY: It does not.</p> <p>6 (WHEREUPON, a certain document was</p> <p>7 marked Walgreens-Domzalski Exhibit</p> <p>8 No. 1: LinkedIn Profile, Chris</p> <p>9 Domzalski; P-WAG-02504.)</p> <p>10 BY MR. MOUGEY:</p> <p>11 Q. All right. Would you just take a minute</p> <p>12 and look through this, Mr. Domzalski, and let me</p> <p>13 know if this is an accurate copy of your work and</p> <p>14 academic experience as listed on LinkedIn.</p> <p>15 A. Yes, it is.</p> <p>16 Q. And you were with Walgreens from 2009 to</p> <p>17 2015, correct, sir?</p> <p>18 A. That's correct.</p> <p>19 Q. For a period of about approximately</p> <p>20 seven years, correct?</p> <p>21 A. I think about -- yeah, I think I started</p> <p>22 late in 2009, and so in the October, November time</p> <p>23 frame, and I believe February of 2015. So, six</p> <p>24 years maybe.</p>
<p style="text-align: right;">Page 15</p> <p>1 Q. Do you have any problem telling me today</p> <p>2 what other medications you may be -- that you are</p> <p>3 on.</p> <p>4 A. Sure. The question about what</p> <p>5 medication could have been causing the memory lapse</p> <p>6 related to a nasal spray that I was taking for the</p> <p>7 first time around that same period of time. I</p> <p>8 believe it was called Azelestine and the doctor</p> <p>9 thought that might be. There were slight</p> <p>10 potentials that that might cause the memory issues.</p> <p>11 So, we removed -- and that product was</p> <p>12 being used due to just kind of ongoing sinus</p> <p>13 issues. And so we removed that product from -- I</p> <p>14 was not using that product anymore but some of</p> <p>15 those memory issues continued. So, that's when we</p> <p>16 kind of ruled out the fact that Azelestine was --</p> <p>17 Q. Okay. And that's the --</p> <p>18 A. -- the likely cause.</p> <p>19 Q. That's the only prescription medication</p> <p>20 you were on that you thought may have --</p> <p>21 A. That she thought might have -- or he</p> <p>22 thought might have an impact on the memory issues,</p> <p>23 correct.</p> <p>24 Q. All right. Let me hand you what I am</p>	<p style="text-align: right;">Page 17</p> <p>1 Q. And I'm sorry. Which -- February of</p> <p>2 '15?</p> <p>3 A. Yes.</p> <p>4 Q. All right. Let's just -- you have a --</p> <p>5 just a few sentences under your job description as</p> <p>6 a chief audit executive at Walgreens.</p> <p>7 "Reporting functionally to the Audit</p> <p>8 Committee of the Board of Directors, responsible</p> <p>9 for providing independent, objective assurance and</p> <p>10 consulting services to the company's divisions</p> <p>11 designed to add value and improve their operations.</p> <p>12 Assist the company to accomplish its objectives by</p> <p>13 bringing a systematic, disciplined approach to</p> <p>14 evaluate and improve the effectiveness of risk</p> <p>15 management, internal control, governance and</p> <p>16 operational processes."</p> <p>17 Did I read that right, sir?</p> <p>18 A. Yes.</p> <p>19 Q. Let's take a couple of pieces of that,</p> <p>20 and I'd like you to explain a little bit of this to</p> <p>21 me.</p> <p>22 The first portion of that paragraph,</p> <p>23 "Reporting functionally to the Audit Committee."</p> <p>24 Explain the Audit Committee and what the function</p>

<p style="text-align: right;">Page 18</p> <p>1 of the Audit Committee was.</p> <p>2 A. So, the Audit Committee is a committee</p> <p>3 of the Board of Directors of the company. They</p> <p>4 have overall responsibility for oversight of the</p> <p>5 external auditors who in this case was Deloitte.</p> <p>6 They also have oversight responsibilities for the</p> <p>7 internal audit function, and they have oversight</p> <p>8 responsibilities for the financial reporting of the</p> <p>9 company.</p> <p>10 Q. And as a result of you reporting to the</p> <p>11 Audit Committee of the Board of Directors, it was</p> <p>12 not uncommon for you to make an appearance in front</p> <p>13 of the Board of Directors relaying some findings or</p> <p>14 part of your audit, correct, sir?</p> <p>15 MR. HOUTZ: Object to form.</p> <p>16 BY MR. MOUGEY:</p> <p>17 Q. You can answer.</p> <p>18 A. Yes, I did meet with the Board of</p> <p>19 Directors on an ongoing basis. Sorry. Not the</p> <p>20 Board of Directors. I met with the Audit Committee</p> <p>21 of the Board of Directors, which is a subsection of</p> <p>22 the Board of Directors.</p> <p>23 Q. And you also appeared in front of the</p> <p>24 Board of Directors itself, correct?</p>	<p style="text-align: right;">Page 20</p> <p>1 the Chief Financial Officer; and then I think</p> <p>2 somewhere within my tenure, there was a</p> <p>3 reorganization and I reported into a direct report</p> <p>4 of the Chief Financial Officer of Walgreens.</p> <p>5 Q. Did your job description change when you</p> <p>6 reported directly to the CFO?</p> <p>7 A. When I -- when the change happened from</p> <p>8 the CFO to the -- are you asking -- I originally</p> <p>9 reported to the CFO.</p> <p>10 Q. Right.</p> <p>11 A. And then --</p> <p>12 Q. Oh, into a direct report of the CFO. I</p> <p>13 see what you're saying.</p> <p>14 A. Correct.</p> <p>15 Q. I apologize. I missed that.</p> <p>16 Sir, this wasn't -- your experience with</p> <p>17 Walgreens was not your first role in an audit</p> <p>18 function, correct, sir?</p> <p>19 A. That is correct.</p> <p>20 Q. You had a series of positions prior to</p> <p>21 Walgreens where you filled an audit function,</p> <p>22 correct?</p> <p>23 A. Correct.</p> <p>24 Q. Your academic background is an</p>
<p style="text-align: right;">Page 19</p> <p>1 A. I can't recall if I've ever met with the</p> <p>2 full board, but clearly met with Audit Committee.</p> <p>3 Q. And the Audit Committee of the full</p> <p>4 board -- and when you say "the full board" of a</p> <p>5 company, which company are you referring to?</p> <p>6 A. Walgreens Corporation.</p> <p>7 Q. And when you say you met with the Audit</p> <p>8 Committee of the Board of Directors, the Audit</p> <p>9 Committee met on a quarterly basis, correct, sir?</p> <p>10 A. I'm not -- I can't recall. We probably</p> <p>11 had four meetings in person a year, but there were</p> <p>12 perhaps more meetings for earnings releases and</p> <p>13 things like that.</p> <p>14 Q. When you use the word "functionally" in</p> <p>15 the first piece of that sentence, what do you mean</p> <p>16 by the word "functionally"?</p> <p>17 A. So, in my role, in any audit role there</p> <p>18 are generally two reporting relationships. One</p> <p>19 would be a functional reporting relationship to the</p> <p>20 Audit Committee of the board and a second would be</p> <p>21 the administrative reporting responsibility to</p> <p>22 someone within the company.</p> <p>23 And for Walgreens, when I started with</p> <p>24 the organization, I reported administratively to</p>	<p style="text-align: right;">Page 21</p> <p>1 accountant, correct, or accounting degree?</p> <p>2 A. Accounting degree, correct.</p> <p>3 Q. And you finished your accounting degree</p> <p>4 here in Illinois in 1990 I believe, correct, sir?</p> <p>5 A. No.</p> <p>6 Q. 19?</p> <p>7 A. '84.</p> <p>8 Q. 1980. I'm sorry. 1980.</p> <p>9 A. '84.</p> <p>10 Q. '80 to '84 you were at University of</p> <p>11 Illinois, correct, sir?</p> <p>12 A. Correct.</p> <p>13 Q. All right. Now, let's go back to the</p> <p>14 description at Walgreens.</p> <p>15 "Assist the company to accomplish its</p> <p>16 objectives by bringing a systematic, disciplined</p> <p>17 approach to evaluate and improve the effectiveness</p> <p>18 of risk management, internal control, governance</p> <p>19 and operational processes."</p> <p>20 Would you explain to me what you mean by</p> <p>21 that last part of that sentence, "internal control,</p> <p>22 governance and operational processes."</p> <p>23 A. So, generally speaking, our audit</p> <p>24 function at Walgreens performed financial and</p>



<p style="text-align: right;">Page 22</p> <p>1 operational audits for the company and so we would  2 look at a given process, understand that process,  3 and identify whether the internal controls inherent  4 in that process were adequate or not, and the  5 results of our work would be the issuance of an  6 audit report to management indicating any issues  7 that we found relative to that area.</p> <p>8 Q. Let's take a couple pieces of that  9 answer, if you would. When you say "understand the  10 process," explain to me or elaborate on what you  11 mean, what specifically you would do to understand  12 the process of the component of Walgreens that you  13 were performing the audit.</p> <p>14 A. So, my team would do a number of  15 different activities, things such as interviews and  16 discussions with the people that were involved in  17 the process to make sure they understood what the  18 process was. They might test certain activities if  19 those activities were supportable or validatable  20 via underlying documents. We might test and do  21 samples of documents to support whether a process  22 was effective or ineffective.</p> <p>23 Q. When you say test a sample of documents,  24 would you explain what you mean by that?</p>	<p style="text-align: right;">Page 24</p> <p>1 accurately.</p> <p>2 Q. So, as you were trying to understand the  3 process, one of the first things that your team  4 would do would be to gather the written policies  5 and procedures to educate yourself so you could  6 have a meaningful interview with the employees in  7 that area, correct, sir?</p> <p>8 A. From a planning process standpoint, yes,  9 before an audit would be initiated, to the extent  10 that there were specific policies and -- policies  11 in place, we would -- we would gather that  12 information and review that information, yes.  13 That's correct.</p> <p>14 Q. And, so, just to maybe further narrow  15 that question that a starting place of most audits  16 so you and your team could educate yourself on that  17 audit would be to look at the internal policies and  18 procedures to educate yourself, correct, sir?</p> <p>19 A. I think it was one of the items, one of  20 the items we would do as part of planning. It  21 certainly wasn't the only item.</p> <p>22 Q. And talk to me about the scope of an  23 audit. I would imagine that the scope of what you  24 were assigned was an important piece of the audit,</p>
<p style="text-align: right;">Page 23</p> <p>1 A. Kind of just what it sounds like. Let's  2 say you're trying to understand whether a payment  3 being made by the company was approved in such a  4 way that was consistent with the company's  5 policies. So, the company may have had policies  6 regarding authorization levels for certain  7 individuals within the company.</p> <p>8 So, if you had a payment of \$100,000, it  9 might require a certain level of approval. If you  10 had a payment of \$500,000, it might require a  11 different approval level. We would look at  12 payments made by the company and determine whether  13 or not the payments made were consistent with the  14 corporate policy in terms of who approved those  15 payment terms or payment, payment activities.</p> <p>16 Q. How important is it to you and your team  17 in the audit function to have written policies and  18 procedures for you all to understand the process?</p> <p>19 A. I would say it was very important. The  20 company's policies and procedures generally guided  21 the practices that people followed within the  22 organization and were generally speaking what we  23 would look to first and foremost to understand  24 whether somebody was doing their responsibilities</p>	<p style="text-align: right;">Page 25</p> <p>1 correct?</p> <p>2 A. The scope would define the specific  3 areas that we would cover in an audit, yes.</p> <p>4 Q. And the scope would be an important part  5 because obviously if you weren't asked to look at  6 the policies and procedures of a certain area of  7 Walgreens, that wouldn't be incorporated into your  8 audit, correct?</p> <p>9 A. When you say --</p> <p>10 Q. Did you not understand?</p> <p>11 A. I'm not sure I understand the question.  12 Yeah.</p> <p>13 Q. Yeah. Let's do it another way.  14 How would you -- how would you  15 understand -- when I say "you," I mean you and your  16 team. How would you and your team understand the  17 scope of the audit? What direction would you get?  18 From whom?</p> <p>19 A. We would often -- the scope of the  20 audits were often defined by the team. So, we  21 would be certainly influenced by discussions with  22 management as to if there were concerns or whatnot  23 around a specific area, but we would look at the  24 area itself that was going to be audited and try to</p>

<p style="text-align: right;">Page 26</p> <p>1 understand that area in its entirety and then</p> <p>2 define what components of the process we would look</p> <p>3 at.</p> <p>4 Q. How many people while you were at</p> <p>5 Walgreens, and if it changes over time, tell me, in</p> <p>6 your role as chief audit executive, how many people</p> <p>7 reported to you?</p> <p>8 A. Directly and indirectly?</p> <p>9 Q. Yes, sir.</p> <p>10 A. I think the total team was in the range</p> <p>11 of 30 to 35 employees.</p> <p>12 Q. All right. How many -- how many</p> <p>13 individuals were in the kind of audit department,</p> <p>14 so to speak?</p> <p>15 A. That would be the same number.</p> <p>16 Q. Same number?</p> <p>17 A. Same number.</p> <p>18 Q. And who was your direct report while you</p> <p>19 were at Walgreens?</p> <p>20 A. Who did I directly report to?</p> <p>21 Q. Yes, sir.</p> <p>22 A. Or who reported to me?</p> <p>23 Q. I'm sorry. That you reported directly</p> <p>24 to.</p>	<p style="text-align: right;">Page 28</p> <p>1 background more along the information technology</p> <p>2 side, and then there was a group that was financial</p> <p>3 in nature and financial base.</p> <p>4 So, the backgrounds of the financial</p> <p>5 people were often similar to mine in terms of</p> <p>6 accounting backgrounds. The group from the IT side</p> <p>7 often had more technical or IT-focused backgrounds.</p> <p>8 Q. Would the 30 to 35 individuals split</p> <p>9 into smaller teams or groups and work on varying</p> <p>10 projects or audits within Walgreens at different</p> <p>11 times?</p> <p>12 A. Yes, that's correct.</p> <p>13 Q. Were there fixed teams meaning that</p> <p>14 groups of two, three, four, five individuals would</p> <p>15 consistently work together or did the working</p> <p>16 groups or teams change based on the type of</p> <p>17 project?</p> <p>18 A. Generally speaking, the teams changed.</p> <p>19 So, we didn't have a specific group, I would say,</p> <p>20 that worked on the store operations side versus the</p> <p>21 pharmacy side. So, it wasn't -- wasn't that</p> <p>22 specific. There was more of a mix.</p> <p>23 Q. So, it wasn't like everyone had areas of</p> <p>24 expertise that they focused on, operations versus</p>
<p style="text-align: right;">Page 27</p> <p>1 A. Okay. So, that's where I started the</p> <p>2 discussion where there was a change.</p> <p>3 Q. Yes.</p> <p>4 A. And I honestly don't recall exactly when</p> <p>5 the change happened. But I originally reported</p> <p>6 into Wade Miquelon who was the Chief Financial</p> <p>7 Officer and then subsequently reported into Mia</p> <p>8 Scholz who was the vice president -- senior vice</p> <p>9 president of finance. Something along that lines</p> <p>10 was her title.</p> <p>11 Q. Now, let's go to the 30, 35 people that</p> <p>12 were in the -- was it audit group? Is that the</p> <p>13 right terminology?</p> <p>14 A. That's fine.</p> <p>15 Q. Fair enough?</p> <p>16 A. Yes.</p> <p>17 Q. So, the 30, 35 people. Just generally.</p> <p>18 I'm not asking you for a memory test of what</p> <p>19 everyone's backgrounds are. But generally what</p> <p>20 type of individuals in the academic background and</p> <p>21 work experience filled the team out at Walgreens on</p> <p>22 the -- in the audit group?</p> <p>23 A. Okay. I would say if two -- two basic</p> <p>24 groups. There was a group that was -- that had a</p>	<p style="text-align: right;">Page 29</p> <p>1 pharmacy versus controlled substances versus, you</p> <p>2 know, financial reporting, anything along those</p> <p>3 lines?</p> <p>4 A. Not -- not that tightly.</p> <p>5 Q. Right.</p> <p>6 A. I mean, there were some people that we</p> <p>7 used for various types of audits, you know, more</p> <p>8 consistently, but it wasn't a this is -- this is</p> <p>9 your tight little area of focus and you only are</p> <p>10 doing this kind of a work.</p> <p>11 Q. I've identified a couple of documents I</p> <p>12 thought may help us define some scope. All right.</p> <p>13 Let me hand you first what I'm going to</p> <p>14 mark as Domzalski 2.</p> <p>15 (WHEREUPON, a certain document was</p> <p>16 marked as Walgreens-Domzalski</p> <p>17 Exhibit No. 2: 11/13/14 e-mail</p> <p>18 with attachments; WAGMDL00734289 -</p> <p>19 00734380.)</p> <p>20 MS. SIBISKI: Can we have the Bates number for</p> <p>21 that document, please.</p> <p>22 MR. MOUGEY: It's WAGMDL734289.</p> <p>23 MS. SIBISKI: 734289. Thank you.</p> <p>24 BY MR. MOUGEY:</p>



<p style="text-align: right;">Page 30</p> <p>1 Q. Mr. Domzalski, this is an e-mail dated 2 11/13/2014. Okay, sir? Do you see that on the 3 first page? 4 A. Yes, I do. 5 Q. And you're copied on this e-mail. Do 6 you see that, sir, in the right-hand side, 7 right-hand column? 8 A. Yes, I do. 9 Q. And it's a -- the e-mail describes 10 what's contained and it says, "A zip file 11 containing a portion of a departmental policies, 12 procedures and other administrative documents (org 13 chart, charter, et cetera), are organized to 14 correlate with the International Standards for the 15 Professional Practice of Internal Auditing." 16 Do you see that, sir, the first 17 sentence? 18 A. Yes. 19 Q. So, what I wanted to get your help here 20 is although the e-mail is dated 11/13/2014, the 21 standards that are referenced in this first 22 paragraph, International Standards for the 23 Professional Practice of Internal Auditing, have 24 been in existence for decades, correct, sir?</p>	<p style="text-align: right;">Page 32</p> <p>1 Q. Yes, sir. So, you're familiar, A, that 2 there are standards in the audit community with how 3 to perform an audit, correct? 4 A. Yeah. I would only just remark that the 5 International Standards for the Professional 6 Practice of Internal Auditing would not have 7 applied to my tenure with Arthur Andersen. Arthur 8 Andersen is a public accounting firm and would not 9 be guided by those standards. But certainly the 10 Abbott experience, yes. 11 Q. And then as you continued through your 12 successive roles, you had other audit roles that 13 weren't in the public space, correct? I mean -- 14 A. No. 15 Q. -- where you were an auditor like you 16 were at Arthur Andersen, correct? 17 A. Only the Abbott experience, yes, early 18 through -- through 1994, correct. And then the 19 roles between 1994 -- 20 Q. Were more accounting-based? 21 A. -- through 2009 were financial. That's 22 correct. 23 Q. So, let's just walk through a few of the 24 pages of this document and see if -- I want you to</p>
<p style="text-align: right;">Page 31</p> <p>1 A. I have no idea -- 2 Q. You have no idea. 3 A. -- how long they have been in place. 4 Q. They were in place during the entire 5 time period you were at Walgreens, correct? 6 A. Yes, I would believe that would be the 7 case. 8 Q. And you had filled various functions as 9 an auditor during your career going all the way 10 back to when you finished undergrad, correct? 11 A. So, I'd say I started, yes, early in my 12 career I was focused on roles in audit and then I 13 moved out of audit into a more -- more base 14 financial roles and then went back into audit 15 during my career. 16 Q. For example, you started with Arthur 17 Andersen in an audit function -- 18 A. Correct. 19 Q. -- in '84, correct? 20 A. Correct. 21 Q. And then you moved over to the manager 22 of corporate internal audit at Abbott Park from '91 23 to '94, right? 24 A. That's correct.</p>	<p style="text-align: right;">Page 33</p> <p>1 help me identify if these general descriptions that 2 we are going to cover were in place during your 3 tenure at Walgreens. Okay, sir? 4 A. Okay. 5 Q. I'd like to direct your attention first 6 just to the cover page so you can see it's on Bates 7 No. 90. It's -- just turn the page over and it's 8 titled "Institute of Internal Auditors, Definition 9 of Internal Auditing." Do you see that, sir? 10 A. Yes. 11 Q. And the definition that's there on that 12 first page is just a general description, 13 "Definition of Internal Auditing states the 14 fundamental purpose, nature and scope of the 15 internal" -- "of internal auditing." 16 Do you see that, sir? 17 A. Yes. 18 Q. And it just essentially relays that the 19 audit is independent, it's objective, activity 20 designed to improve an organization's operations, 21 correct, sir? 22 A. Correct. 23 Q. If you would, sir, please -- I want to 24 say Bates numbers. They are in the bottom</p>

<p style="text-align: right;">Page 34</p> <p>1 right-hand corner, and I am just going to use the                  2 last two digits to make it easy.                  3 A. Okay.                  4 Q. The next page I'd like you to turn to is                  5 93, and the title is "Exercising Due Professional                  6 Care Means Using Reasonable Audit Skill and                  7 Judgment in Performing the Audit."                  8 Do you see that, sir?                  9 A. Yes, I do.                  10 Q. And similar to what you described                  11 already this morning that "All audits begin with                  12 the steps leading to a clear understanding of the                  13 scope and objectives for the audit."                  14 Do you see that, sir?                  15 A. Yes.                  16 Q. And, obviously, today we are here about                  17 Walgreens and its role as a distributor, and you're                  18 aware of that, sir, correct?                  19 A. Yes.                  20 Q. And you generally understand that                  21 Walgreens acted as a distributor with controlled                  22 substances, Schedule II, Schedule III, all the way                  23 up to Schedule V, including the distribution of                  24 opiates, correct, sir?</p>	<p style="text-align: right;">Page 36</p> <p>1 MR. HOUTZ: Object to foundation.                  2 BY THE WITNESS:                  3 A. I don't recall that we did.                  4 BY MR. MOUGEY:                  5 Q. You don't recall having anyone that came                  6 from the industry, meaning the distribution side,                  7 that was familiar with the rules and regulations of                  8 a corporation acting as a distributor for                  9 Schedule II and Schedule III opiates, did you?                  10 A. I'm thinking back of the people. I just                  11 don't recall.                  12 Q. You don't recall. No one jumps out from                  13 memory that, you know, John was our go-to guy                  14 because of his background and familiarity with the                  15 rules and regs as a distributor, correct?                  16 MR. HOUTZ: Object to form.                  17 BY THE WITNESS:                  18 A. No, I don't recall that.                  19 BY MR. MOUGEY:                  20 Q. So, all the more important, the first                  21 sentence that the "steps leading to a clear                  22 understanding of the scope and objective for the                  23 audit," correct, that your group would have to go                  24 in and really dig in to what the rules and regs and</p>
<p style="text-align: right;">Page 35</p> <p>1 A. Yes.                  2 Q. And you have a general understanding                  3 that your group performed audits on the                  4 distribution centers in relation to their                  5 obligations as a distributor, correct?                  6 A. Yes.                  7 Q. And your team, the 30, 35 individuals in                  8 the audit group, is it safe to assume that nobody                  9 from that 30, 35 people came with backgrounds that                  10 were familiar with the regulations, industry                  11 standards for a distributor with opiates for                  12 Schedule II and Schedule III?                  13 MR. HOUTZ: Object to form and foundation.                  14 BY THE WITNESS:                  15 A. I don't recall specifically the resumes                  16 of each of the 35 individuals that were on the                  17 team. So, I don't know that I could say there was                  18 no one with that experience sitting here today. I                  19 just don't recall that.                  20 BY MR. MOUGEY:                  21 Q. And I'm not asking you to rattle off 35                  22 people's resumes and where they graduated from                  23 undergrad. But, for example, you didn't have any                  24 ex-DEA investigators, correct?</p>	<p style="text-align: right;">Page 37</p> <p>1 industry standards were, correct?                  2 MR. HOUTZ: Object to form again.                  3 BY THE WITNESS:                  4 A. Well, I think we -- we would generally                  5 work with people within the organization that had                  6 knowledge of what those were.                  7 BY MR. MOUGEY:                  8 Q. Exactly. So, you would rely, your group                  9 would rely on the individuals at Walgreens to help                  10 educate you and your team to have a clear                  11 understanding of the scope and objectives of the                  12 Walgreens in its role as a distributor, correct?                  13 A. Yes, that is correct.                  14 Q. The next sentence, "The audit program is                  15 planned and program implementation is supervised to                  16 ensure that the objectives of the audit will be                  17 met. Continuous communication is conducted to                  18 ensure that actual fieldwork practices support the                  19 audit scope and objectives."                  20 Correct, sir?                  21 Did I read that right?                  22 A. Yeah, I'm reading that, yes, as well.                  23 Q. And the fourth paragraph down, "All                  24 auditors use established corporate or store</p>

<p style="text-align: right;">Page 38</p> <p>1 operating standards as a basis for evaluating          2 operating practices where possible."          3 Do you see that, sir?          4 A. Yes, I do.          5 Q. Now, do you have an understanding, sir,          6 of what established -- what's meant here by          7 "established corporate or store operating          8 standards"? Where would you look to find the          9 established corporate or store operating standards?          10 A. I don't honestly recall specifically          11 where -- where they were, but my recollection is          12 that a number of these policies were available          13 online on our Intranet.          14 Q. On the Walgreens Intranet?          15 A. Correct.          16 Q. And when we say "Intranet," a little bit          17 different than Internet. Intranet is a hub or a          18 place where Walgreens employees could go to pull          19 applicable material off that they needed, correct?          20 A. That's correct.          21 Q. So, typically that would be one of the          22 places that you would -- you and your team would go          23 to find information related to that, the specific          24 audit, would be the firm Intranet, correct?</p>	<p style="text-align: right;">Page 40</p> <p>1 regulations or contracts to help define the          2 industry standards to apply to your audit?          3 A. I don't recall whether we looked at          4 specific government statutes, rules or regulations.          5 I don't recall that.          6 Q. You don't recall.          7 A. No.          8 Q. So, would you frequently consult -- let          9 me take a step back.          10 You're familiar with a committee at          11 Walgreens, and I might not have the name of the          12 group exactly right, but regulatory that involved          13 some legal function to it.          14 Are you familiar that Walgreens has a          15 regulatory group that has a legal function to it?          16 MR. HOUTZ: Object to form.          17 BY THE WITNESS:          18 A. I recall that there were people that we          19 worked with within the legal function that          20 understood rules and regulations, yes.          21 BY MR. MOUGEY:          22 Q. So, would that type of group, that          23 regulatory group that had a legal component to it,          24 would that be a group of individuals that your team</p>
<p style="text-align: right;">Page 39</p> <p>1 A. Walgreens Intranet, that's correct.          2 Q. And that would be used or that, when I          3 say "that," the firm Intranet would be used to help          4 define the operating standards for that audit,          5 correct?          6 A. That's correct.          7 Q. And the third sentence, "Audit testing          8 attributes are selected to evaluate compliance with          9 important standards."          10 Do you see that, sir?          11 A. Yes, I do.          12 Q. Now, if you'd turn to Bates No. 94,          13 which is the next page, and direct your attention          14 to the second dash at the bottom, "Prohibited          15 business activities."          16 Do you see that, sir?          17 A. Yes.          18 Q. "Prohibited business activities such as          19 those which violate government statutes, rules,          20 regulations or contracts."          21 Let's stop right there.          22 In addition to the firm Intranet to help          23 establish the operating standards, would your team          24 also look to government statutes, rules,</p>	<p style="text-align: right;">Page 41</p> <p>1 may consult with to understand the government          2 statutes, rules, regulations of the audit?          3 MR. HOUTZ: Object to form, mischaracterized          4 testimony.          5 BY THE WITNESS:          6 A. Yes, at times we would reach out to --          7 you use the word "legal or regulatory." I remember          8 there was a group within legal that we would          9 specifically work with regarding regulatory kinds          10 of areas or laws and whatnot.          11 BY MR. MOUGEY:          12 Q. Now, let's just talk specifically about          13 the Controlled Substance Act for a minute. Okay?          14 And audit.          15 You're familiar if I use the word          16 "Controlled Substance Act," what that is?          17 A. Not directly when you say Act, no.          18 Controlled substances, yes.          19 Q. So, when you say "not directly"?          20 A. When you say the Act, are you referring          21 to a specific Act? Is that the name of the Act?          22 No, I'm not familiar with that Act.          23 Q. You're not familiar with the Controlled          24 Substance Act?</p>

<p style="text-align: right;">Page 42</p> <p>1 A. At least I'm not -- I don't have  2 recollection of it, no.</p> <p>3 Q. Are you familiar that there were federal  4 statutes that governed Walgreens' conduct as a  5 distributor?</p> <p>6 A. I was probably aware of that at the time  7 of being employed by Walgreens.</p> <p>8 Q. And you're not a lawyer, right, sir?</p> <p>9 A. I am not a lawyer.</p> <p>10 Q. So, if you wanted and your group wanted  11 to understand the details of the regulatory  12 structure over controlled substances, how would you  13 educate yourself, your team, on what that structure  14 was?</p> <p>15 MR. HOUTZ: Object to form.</p> <p>16 BY THE WITNESS:</p> <p>17 A. Our -- our team would interact with two  18 groups, the legal team and the distribution  19 management team, in terms of understanding that.</p> <p>20 BY MR. MOUGEY:</p> <p>21 Q. Do you have a recollection, when you  22 refer to the "distribution management team," of who  23 that was during your tenure at Walgreens?</p> <p>24 A. No, I don't recall names.</p>	<p style="text-align: right;">Page 44</p> <p>1 But I do -- I recall that those  2 discussions took place, but I wasn't a part of them  3 so I don't have a recollection of what they would  4 have been.</p> <p>5 Q. So, we just -- we just left page 93,  6 that the beginning steps leading to a clear  7 understanding of the scope and objectives for the  8 audit is the -- that's kind of the foundation,  9 right?</p> <p>10 A. Yes.</p> <p>11 Q. And as part of that foundation, your  12 team would meet with groups like the distribution  13 management team and the legal team, correct?</p> <p>14 A. That's correct.</p> <p>15 Q. And those conversations with those two  16 teams would help educate you and your group on the  17 regulatory structure applicable to Walgreens as a  18 distributor, correct, sir?</p> <p>19 A. Yes.</p> <p>20 Q. So, for your group it's important to  21 understand the details of the applicable regulatory  22 structure to Walgreens as a distributor, right?</p> <p>23 MR. HOUTZ: Object to form.</p> <p>24 BY THE WITNESS:</p>
<p style="text-align: right;">Page 43</p> <p>1 Q. Do you have an understanding or  2 recollection of the group, the groups that fell  3 under the distribution management team?</p> <p>4 A. Honestly, I don't remember the name of  5 the team. It may be in some e-mails, but I don't  6 recall.</p> <p>7 Q. And you also mentioned legal. Do you  8 recall individuals within legal that would help  9 your group to understand the regulatory structure  10 applicable to Walgreens as a distributor?</p> <p>11 A. Yes, I do.</p> <p>12 Q. And who was that?</p> <p>13 A. Dwayne Piñon.</p> <p>14 Q. And anyone other than Mr. Piñon?</p> <p>15 A. There was another gentleman, but I don't  16 honestly recollect his name.</p> <p>17 Q. And would Mr. Piñon with legal help you  18 and your team understand the details of the  19 regulatory structure applicable to Walgreens as a  20 distributor?</p> <p>21 A. So, I personally was probably not  22 involved in those discussions. So, I'm not sure  23 what exactly was communicated between the team and  24 the -- and legal.</p>	<p style="text-align: right;">Page 45</p> <p>1 A. I'm sorry. Can you repeat the question.</p> <p>2 BY MR. MOUGEY:</p> <p>3 Q. Sure. Your group, the audit group, it's  4 important to understand the details of the  5 applicable regulatory structure to Walgreens as a  6 distributor, correct?</p> <p>7 MR. HOUTZ: Object to form.</p> <p>8 BY THE WITNESS:</p> <p>9 A. I guess my pause is on the word  10 "details." I think that the team tried to get as  11 best as they could an understanding of the  12 requirements.</p> <p>13 BY MR. MOUGEY:</p> <p>14 Q. Sure. I'm not -- the word "details" is  15 just a -- to understand the applicable regulatory  16 structure to Walgreens as a distributor, your team  17 counted on both legal and the distribution  18 management, correct, sir?</p> <p>19 A. They worked with both legal and the  20 distribution management to understand the process  21 and the requirements, yes.</p> <p>22 Q. And as part of those conversations with  23 both the distribution management team and legal,  24 you would expect that your group would be given the</p>

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1 applicable policies and procedures to begin  
2 educating itself on -- to perform the audit,  
3 correct?  
4 A. Again, since I wasn't a part of any of  
5 those direct conversations with those teams, I  
6 don't know what was shared. I can't answer that.  
7 Q. I didn't ask you what specifically of a  
8 specific -- we're going to be here for three weeks  
9 like this. Okay. So, I didn't ask you a specific  
10 document. Okay.  
11 You don't have anybody in your group  
12 that you can recall that understood the applicable  
13 DEA rules and regulations to Walgreens as a  
14 distributor, right?  
15 A. Not to my recollection.  
16 Q. They had to educate themselves to  
17 perform an audit, correct, sir?  
18 A. I would hope they did, yes.  
19 Q. Of course. Otherwise if they don't  
20 understand the rules and regulations applicable to  
21 Walgreens as a distributor, the audit group is not  
22 going to do a very good job, right?  
23 A. No.  
24 Q. Yeah. They got to -- they got to know

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1 the details of what that structure is to apply  
2 Walgreens' policies and procedures, right? That's  
3 the goal, correct?  
4 MR. HOUTZ: Object to form.  
5 BY THE WITNESS:  
6 A. I think you're -- I think we're back to  
7 the details. I just -- again, I don't know how  
8 level -- what level of detail we would have gotten  
9 to relative to any of those.  
10 BY MR. MOUGEY:  
11 Q. I didn't use the word "granular detail."  
12 I didn't use the word "micro." Those would help  
13 define details, right?  
14 A. It's a pretty vague word. I don't know.  
15 Q. So, details, the word "details" is  
16 confusing you.  
17 A. Yes.  
18 Q. Yes. So, what about the word "details"  
19 is confusing you, Mr. --  
20 A. It's a vague word.  
21 Q. It's a vague word. Details.  
22 How many times have you met with counsel  
23 in preparation for today?  
24 A. Three.

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1 Q. Three times?  
2 A. Three times.  
3 Q. And when I say "met," I mean  
4 telephonically as well.  
5 A. I think the same, yeah.  
6 Q. Three times? And how many -- all in the  
7 last two weeks?  
8 A. Yes.  
9 Q. And how many hours during each one of  
10 those meetings?  
11 A. A total of seven I believe.  
12 Q. Total of seven hours. So, each meeting  
13 lasted a couple of hours?  
14 A. Yes, that's correct.  
15 Q. Were you given documents to review?  
16 A. I was shown documents, yes.  
17 Q. Did you take those documents home with  
18 you and reviewed them later?  
19 A. No, I did not.  
20 Q. Did you have any documents in your own  
21 possession that you went back and reviewed in  
22 preparation for today?  
23 A. No, I did not.  
24 Q. Did you go to the Internet and do any

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1 research in preparation for today?  
2 A. No, I did not.  
3 Q. What lawyers did you meet with in  
4 preparation for today?  
5 A. Two. Les and then -- I don't remember  
6 the second person's name.  
7 Q. Female or male?  
8 A. A female.  
9 Q. And -- Kate?  
10 A. I believe Kate. Kate Fine?  
11 Q. Kate Swift?  
12 A. Kate Swift.  
13 Q. You don't remember?  
14 A. I think it's Kate Swift.  
15 Q. Kate Swift. Okay.  
16 And was Kate Swift and Les in all three  
17 of those meetings?  
18 A. No.  
19 Q. And who was in the first meeting?  
20 A. Just Kate.  
21 Q. And that meeting lasted a couple of  
22 hours?  
23 A. I think maybe an hour and a half the  
24 first one.



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1 Q. And then the second meeting, who was in  
2 that?  
3 A. Just Les.  
4 Q. And then the third meeting?  
5 A. Both Kate -- well, for most of it just  
6 Les, and then Kate joined us for a few minutes at  
7 the end.  
8 Q. Okay. And in order for your group to  
9 perform an audit that met with industry standards,  
10 it would have to have an understanding of the  
11 regulatory structure applicable to the scope of the  
12 audit, correct, sir?  
13 MR. HOUTZ: Object to form.  
14 BY THE WITNESS:  
15 A. Yes.  
16 BY MR. MOUGEY:  
17 Q. So, let's go back to page 94,  
18 "Prohibited business activities such as those which  
19 violate government statutes, rules, regulations or  
20 contracts."  
21 So, if you don't like my word "details,"  
22 help me to understand what you and your group would  
23 do to educate itself on the government statutes.  
24 A. I think that's the point I made where

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1 the team would meet with both the legal team and  
2 the distribution management team to understand the  
3 area.  
4 Q. And you would expect your group to have  
5 met with both the distributor management team and  
6 legal to have a command of the regulatory structure  
7 in order to be able to perform its function  
8 according to industry standards, correct, sir?  
9 MR. HOUTZ: Object to form.  
10 BY THE WITNESS:  
11 A. They'd have to have an understanding of  
12 the -- of the requirements.  
13 BY MR. MOUGEY:  
14 Q. Yes, sir. And they'd have to understand  
15 the rules and regulations applicable to Walgreens  
16 as a distributor in order to perform its audit,  
17 correct, sir?  
18 A. Depending upon the scope of the audit,  
19 yes. I mean, if that's what the scope of the audit  
20 was focused on, yes.  
21 Q. The next section, "Government compliance  
22 audits and reviews evaluate preventative and  
23 detective controls and related compliance under  
24 applicable laws, regulations, rules and contracts."

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1 Did I read that right, sir?  
2 A. Yes.  
3 Q. And is that an accurate statement in  
4 relation to Walgreens' audit group in relation to  
5 the audits it performed on Walgreens' distribution  
6 centers?  
7 A. Let me just get back because the section  
8 you are reading from is titled "Characteristics of  
9 Fraud." Right? So, this would say if there had  
10 been identified any prohibited business activity,  
11 that that might be an indication of fraud. That's  
12 what -- that's what this section is focused on is  
13 characteristics of fraud.  
14 Q. So, you don't think that -- let's go  
15 ahead.  
16 Which part of what we just reviewed do  
17 you think is not applicable to Walgreens' audits as  
18 a distribution center?  
19 A. I'm just saying that you're reading  
20 specific language under the characteristics. I'm  
21 not sure -- I'm not sure what your question is.  
22 Q. So, out of the two sections we just  
23 focused on, the prohibited business activities and  
24 the section below it, do you believe that's not

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1 applicable to Walgreens' audit as a distributor?  
2 MR. HOUTZ: Object to form.  
3 BY THE WITNESS:  
4 A. I'm sorry. I don't understand. What  
5 relationship are you asking me to connect?  
6 BY MR. MOUGEY:  
7 Q. Turn to page 301, sir. "Internal audit  
8 operating policy. Nature."  
9 Do you see that, sir?  
10 A. Yes.  
11 Q. And the next section, "Activity"?  
12 A. Yes.  
13 Q. Do you believe this section is  
14 applicable to Walgreens' audits on the distribution  
15 centers while you were with the audit group?  
16 A. Let me read through it.  
17 Yes, I agree with that.  
18 Q. The first sentence specifically, "The  
19 activity of internal auditing is primarily one of  
20 information gathering, review, analysis,  
21 evaluation, appraisal and testing for the degree of  
22 compliance with and the adequacy of managerial  
23 systems and controls put in place to mitigate risks  
24 that exist in achieving organizational objectives."

<p style="text-align: right;">Page 54</p> <p>1 Do you see that, sir?</p> <p>2 A. Yes, I do.</p> <p>3 Q. And if you turn to the next page, under</p> <p>4 "Audit Objective," Bates No. 02.</p> <p>5 A. Yes.</p> <p>6 Q. The first sentence, "The objective of</p> <p>7 internal auditing is to assist management in their</p> <p>8 effective discharge of their responsibilities."</p> <p>9 Do you see that, sir?</p> <p>10 A. Yes.</p> <p>11 Q. The first portion of the first sentence?</p> <p>12 A. Yes.</p> <p>13 Q. Now, sir, in order for Walgreens to</p> <p>14 effectively discharge their responsibilities, you</p> <p>15 had to have, you and your group had to have an</p> <p>16 understanding of the applicable rules and</p> <p>17 regulations to Walgreens as a distributor, correct?</p> <p>18 A. Yeah, I read the paragraph.</p> <p>19 Yes, in order to assist management in</p> <p>20 the discharge of their responsibilities, we would</p> <p>21 need to understand the area in which we were</p> <p>22 focused on auditing.</p> <p>23 Q. The next section begins with "In the</p> <p>24 course of audit examinations, internal auditing</p>	<p style="text-align: right;">Page 56</p> <p>1 try to make sure that the actions that employees</p> <p>2 were taking were in compliance with company's --</p> <p>3 the company's policies and procedures.</p> <p>4 I don't think we took active -- an</p> <p>5 active role in what you mentioned, which was</p> <p>6 comparing those policies to the external rules and</p> <p>7 regulations. I don't think that was within our</p> <p>8 purview.</p> <p>9 BY MR. MOUGEY:</p> <p>10 Q. So, let's just take your answer.</p> <p>11 You think what you would try to do as</p> <p>12 the audit group was to make sure that the actions</p> <p>13 that employees were taking were in compliance with</p> <p>14 the company's policies and procedures. Correct,</p> <p>15 sir?</p> <p>16 A. Correct.</p> <p>17 Q. But what I'm -- where the disconnect is</p> <p>18 between what your repeated answer is and my</p> <p>19 questions are that what is the -- how do you test</p> <p>20 the Walgreens policies and procedures to ensure</p> <p>21 that they comply with the applicable regulations?</p> <p>22 A. We didn't have -- I don't believe we had</p> <p>23 that in our purview. I think our purview was the</p> <p>24 policies and procedures that exist -- when it says</p>
<p style="text-align: right;">Page 55</p> <p>1 shall."</p> <p>2 Do you see where I am, sir?</p> <p>3 A. Yes.</p> <p>4 Q. And underneath, "1. Review and appraise</p> <p>5 the adequacy, soundness and application of," it</p> <p>6 says, "accounting, financial, management reporting</p> <p>7 and other operating controls and make</p> <p>8 recommendations for improved practices and</p> <p>9 techniques where appropriate."</p> <p>10 Correct, sir?</p> <p>11 A. Yes.</p> <p>12 Q. And No. 2, "Determine that policies and</p> <p>13 procedures are being interpreted properly and</p> <p>14 carried out as established."</p> <p>15 And let me stop there. Okay, sir?</p> <p>16 A. Yes.</p> <p>17 Q. And, so, part of the audit was to</p> <p>18 compare employees' understanding of the policies</p> <p>19 and procedures and compare those to the rules and</p> <p>20 regs in order to ensure that they're being</p> <p>21 interpreted properly, correct, sir?</p> <p>22 MR. HOUTZ: Object to form.</p> <p>23 BY THE WITNESS:</p> <p>24 A. No. No, I think what we would do was</p>	<p style="text-align: right;">Page 57</p> <p>1 "are being interpreted properly and carried out as</p> <p>2 established by the employees that are responsible</p> <p>3 for those areas of work," that's what we would do.</p> <p>4 We would say okay, here's the company's</p> <p>5 policy. It defines a certain action or</p> <p>6 requirement. Does the actual action or activity</p> <p>7 being performed within whatever group it was that</p> <p>8 was doing that, did it comply with the policy.</p> <p>9 Q. So, zero part of your group's audit</p> <p>10 process included reviewing Walgreens' policies and</p> <p>11 procedures to ensure that they complied with</p> <p>12 whatever the applicable regs were?</p> <p>13 A. Yeah, I don't -- I don't believe we ever</p> <p>14 took it back to the rules and regulations or law.</p> <p>15 That seems like an interpretation of law, and I</p> <p>16 think we would leave that to the lawyers.</p> <p>17 Q. So, the policies and procedures at</p> <p>18 Walgreens, you believed, was in the scope and</p> <p>19 purview of lawyers to ensure that they were</p> <p>20 accurate and complied with applicable federal regs?</p> <p>21 A. I guess I shouldn't say just lawyers</p> <p>22 because, I mean, there were policies and procedures</p> <p>23 about a lot of things, not just laws. So, I can't</p> <p>24 say that if we had -- like we talked about this</p>

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1 earlier policy on authorization levels. That  
2 wouldn't have been a legal requirement, but it  
3 would have been something set by our financial  
4 leadership.  
5 And so, no, I wouldn't -- I wouldn't --  
6 I wouldn't characterize that each and every policy  
7 would require a lawyer's review.  
8 Q. Let's look at No. 3. I'm sorry.  
9 MR. HOUTZ: You interrupted his answer.  
10 BY MR. MOUGEY:  
11 Q. If you weren't done, go ahead. Were you  
12 done, sir?  
13 A. Yes. I'm -- I don't remember the...  
14 Q. So, No. 3, "Determine the reliability,  
15 effectiveness, and efficiency of procedures  
16 designed to ensure the organization is compliant  
17 with applicable laws and regulations."  
18 Did I read that right?  
19 A. Yes.  
20 Q. Do you believe that that section, No. 3,  
21 under "Audit Objective" on Bates No. 03, was  
22 applicable to Walgreens' audit of its distribution  
23 centers and Walgreens' role as a distributor?  
24 A. I think the way that was executed was by

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1 ensuring we had compliance with company policies,  
2 but it's -- the words are there on the paper, yes.  
3 Q. They are there on the paper, and also  
4 the words that are there on the paper are designed  
5 to ensure the organization is compliant with  
6 applicable laws and regulations.  
7 Did your audit, your group's audit, of  
8 Walgreens' distribution centers include ensuring  
9 the organization was compliant with applicable laws  
10 and regulations?  
11 A. I don't know the answer to that. Again,  
12 I'm thinking most likely we were -- we were  
13 auditing to policy --  
14 Q. I'm a little --  
15 A. -- and assuming that policy was  
16 compliant with law.  
17 Q. I'm a little confused. So, just help me  
18 out.  
19 I believe, and I don't want to put words  
20 in your mouth, but I believe your testimony just  
21 was that Walgreens' audit group only tested towards  
22 company policies and procedures.  
23 Is that -- did I misunderstand you or  
24 was that your testimony?

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1 A. I don't recall us doing more than  
2 auditing to company's policies and procedures.  
3 Perhaps if there was an area that we were looking  
4 at where there was no policy, we might take further  
5 steps.  
6 I just -- you know, we are talking about  
7 things that happened a long time ago, and I can  
8 only answer with what I recall. So, I don't -- I  
9 don't know the answer to whether we did or did not  
10 in a specific situation.  
11 Q. You don't recall sitting here any  
12 specific instances where Walgreens tested the  
13 procedures against the applicable laws and  
14 regulations?  
15 A. I don't -- I don't recall any. But,  
16 again, you know, just again for clarity, I wasn't  
17 involved at the level of doing the individual work.  
18 I had directors underneath me that were managing  
19 the individual projects. So, I may not have had  
20 that specific visibility.  
21 Q. Let's talk about that. So, you had 30,  
22 35 people. Was there a standard size, a group  
23 size, that would conduct an audit?  
24 A. No, it would depend upon the audit

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1 itself. So, they were generally smaller groups.  
2 Q. Help me understand what a smaller group  
3 is. What's the details of a -- I'm sorry. That's  
4 confusing.  
5 What's the size of a smaller group  
6 typically?  
7 A. Could be two people, could be three  
8 people.  
9 Q. Okay.  
10 A. All reporting in through a director or  
11 manager.  
12 Q. So, the organizational structure of the  
13 group was, you were the senior person within the  
14 group while you were there, correct?  
15 A. That is correct.  
16 Q. And then how many directors were there?  
17 A. Five.  
18 Q. And explain what the job description is  
19 of one of the directors.  
20 A. They were responsible for managing the  
21 individual projects and audits that we were working  
22 on. So, they managed all aspects of the team.  
23 They managed all aspects of the reporting process.  
24 They managed all aspects of the work that was done

<p style="text-align: right;">Page 62</p> <p>1 on a day-to-day basis by the team doing the work.</p> <p>2 Q. And each of those pieces that you just</p> <p>3 mentioned, all aspects of the reporting process,</p> <p>4 those were documented in reports, correct, sir?</p> <p>5 A. Yes, they were.</p> <p>6 Q. And the -- they took great care in</p> <p>7 documenting the specific steps of the audits,</p> <p>8 correct, sir?</p> <p>9 A. The reports wouldn't necessarily</p> <p>10 document the steps of the audit. The reports</p> <p>11 generally documented the results of the audit.</p> <p>12 So, to the extent issues were identified</p> <p>13 as part of the audit, those would be identified in</p> <p>14 the reporting.</p> <p>15 Q. The reports would also identify the</p> <p>16 scope of the audit, correct?</p> <p>17 A. Correct.</p> <p>18 Q. Would the reports typically identify the</p> <p>19 internal documents at Walgreens relied upon to</p> <p>20 conduct the audit?</p> <p>21 A. I don't recall specifically. If --</p> <p>22 there may have been references to policies in</p> <p>23 the -- you know, if there was an issue that did</p> <p>24 not -- that we identified an issue not in</p>	<p style="text-align: right;">Page 64</p> <p>1 the chief director before these reports, audits</p> <p>2 were published, you would review them, correct?</p> <p>3 A. That's correct.</p> <p>4 Q. And when I say "published," I just mean</p> <p>5 internally.</p> <p>6 A. Internally, yes.</p> <p>7 Q. Yes, sir. And you would review those</p> <p>8 and check the details. There is that word again.</p> <p>9 Check the specifics of that report to make sure you</p> <p>10 were in agreement with what was reported, right?</p> <p>11 A. Certainly I would review the report and</p> <p>12 if I had questions about the findings or the</p> <p>13 issues, we would discuss as a team to make sure I</p> <p>14 understood what the issues were and that I, yeah,</p> <p>15 had a solid understanding before we would wish it</p> <p>16 to management.</p> <p>17 Q. So, let's go back to Bates No. 03,</p> <p>18 No. 3, and make sure I have the kind of the terms</p> <p>19 of art correctly.</p> <p>20 But that you believe that the audits</p> <p>21 that your group conducted tested the employee</p> <p>22 implementation against Walgreens' policies and</p> <p>23 procedures. Am I saying that correctly?</p> <p>24 A. Yes. I think you are.</p>
<p style="text-align: right;">Page 63</p> <p>1 compliance with policy, I would assume it would</p> <p>2 have referenced. But I couldn't tell you today.</p> <p>3 Q. Now, each one of those five directors</p> <p>4 reported to you, correct?</p> <p>5 A. That's correct.</p> <p>6 Q. And when a report was conducted, you</p> <p>7 kept up to date with the status or the -- of the</p> <p>8 individual audits, correct?</p> <p>9 A. That's correct.</p> <p>10 Q. And you, I'm assuming, reviewed the</p> <p>11 draft audits at various times during the process,</p> <p>12 correct, sir?</p> <p>13 A. Yeah, I generally reviewed the draft</p> <p>14 audit report once it was produced and available.</p> <p>15 Q. And I'm assuming you would have meetings</p> <p>16 with each one of these directors wherein they would</p> <p>17 update you on the status of the reports, correct,</p> <p>18 sir?</p> <p>19 A. The status of the audits, that's</p> <p>20 correct.</p> <p>21 Q. And audits are important functions of</p> <p>22 corporate compliance, correct, sir?</p> <p>23 A. And corporate governance.</p> <p>24 Q. And as -- corporate governance. And as</p>	<p style="text-align: right;">Page 65</p> <p>1 Q. And you can't remember sitting here</p> <p>2 today any audits that your group performed that</p> <p>3 tested the policies and procedures of Walgreens</p> <p>4 against the applicable laws and regulations?</p> <p>5 A. I don't. I don't recall that, no.</p> <p>6 Q. And so you and your group were reliant</p> <p>7 in large part, in the audits, on what Walgreens'</p> <p>8 policies and procedures were and you, quite</p> <p>9 frankly, assumed that they were compliant with</p> <p>10 applicable laws and regulations, correct, sir?</p> <p>11 MR. HOUTZ: Object to form.</p> <p>12 BY THE WITNESS:</p> <p>13 A. Yes.</p> <p>14 BY MR. MOUGEY:</p> <p>15 Q. Maybe just to say it. Sorry if this is</p> <p>16 maybe a little blue collar, but to say it.</p> <p>17 You had to rely on what Walgreens told</p> <p>18 your group about the applicable laws and</p> <p>19 regulations and you're only as good as the</p> <p>20 information that Walgreens provided. Is that an</p> <p>21 accurate way of saying that?</p> <p>22 A. Yeah, I -- again, I can't recall any</p> <p>23 situations where we -- we were -- that we were</p> <p>24 uncomfortable or that there were concerns raised</p>

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1 that that was not the case. So, yes.  
 2 Q. Now, your group at various times  
 3 conducted audits, different types, on Walgreens'  
 4 distribution activities, correct?  
 5 A. Yes.  
 6 Q. And do you believe that those audits  
 7 fell under the -- maybe a general description of  
 8 risk management?  
 9 A. Yes.  
 10 Q. If you would turn, sir, to Bates No. 36  
 11 of the document you have in front of you.  
 12 A. I'm sorry. What number?  
 13 Q. 36. And it's Section 2120 and it's  
 14 titled "Risk Management."  
 15 I want to make sure that we're only  
 16 using sections that kind of apply to your group's  
 17 scope in relation to its audits of Walgreens'  
 18 distribution activities.  
 19 So, would you look at 2120.A1 at the  
 20 bottom of the page. Let's just start with the very  
 21 first sentence. It says, "The internal audit  
 22 activity must evaluate risk exposures relating to  
 23 the organization's governance, operations and  
 24 information systems regarding," and then there is a

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1 series of bullets after that.  
 2 Do you see that, sir?  
 3 A. Yes, I do.  
 4 Q. And you would -- you believe that this  
 5 "Risk Management" section would apply to Walgreens'  
 6 audits of its distribution centers?  
 7 A. It should apply to, yes.  
 8 Q. Let me make that question a little  
 9 narrower.  
 10 You believe that this section, the "Risk  
 11 Management" on Bates No. 36, applied to Walgreens'  
 12 activities in its distribution centers but more  
 13 specifically to Schedule II and Schedule III  
 14 opiates?  
 15 A. Can you repeat the question?  
 16 Q. Yes, sir. You understand what  
 17 Schedule II and Schedule III --  
 18 A. Yes.  
 19 Q. -- opiates are?  
 20 A. Yes.  
 21 Q. You understand OxyContin and you know  
 22 that's a Schedule II opiate?  
 23 A. Yes.  
 24 Q. And hydrocodone was a Schedule III and

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1 became a Schedule II opiate at one point. Does  
 2 that ring a bell?  
 3 A. I recall that.  
 4 Q. Okay. So, you understand that in your  
 5 group's role as auditor of the distribution  
 6 centers, it was reviewing Walgreens' policies and  
 7 procedures in relation to Schedule II and  
 8 Schedule III opiates?  
 9 A. Yes.  
 10 Q. So, if you would go, sir, to the third  
 11 bullet down, "Effectiveness and efficiency of  
 12 operations and programs."  
 13 Do you see that, sir?  
 14 A. Yes, I do.  
 15 Q. And then the fourth bullet, "Compliance  
 16 with laws, regulations, policies, procedures and  
 17 contracts."  
 18 Do you see that, sir?  
 19 A. Yes.  
 20 Q. Now, we've seen language similar to  
 21 the -- to the fifth bullet about laws, regulations,  
 22 policies and procedures on a couple of occasions as  
 23 we've looked through this document, correct?  
 24 MR. HOUTZ: Object to form.

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1 BY THE WITNESS:  
 2 A. I think so, yeah.  
 3 BY MR. MOUGEY:  
 4 Q. Okay. And maybe not to take the exact  
 5 language but generally about comparing Walgreens'  
 6 policies and procedures to the applicable laws and  
 7 regulations. We've talked about that obviously  
 8 today, correct?  
 9 MR. HOUTZ: Same objection.  
 10 BY THE WITNESS:  
 11 A. You referenced that, yeah.  
 12 BY MR. MOUGEY:  
 13 Q. Yes, sir. And you don't -- this is the  
 14 second or third time we've seen language about laws  
 15 and regulations as part of an audit process, but  
 16 you don't believe that as part of Walgreens' audit  
 17 of the distribution centers in relation to  
 18 Schedule II or Schedule III opiates that your  
 19 group's job was to compare Walgreens' policies and  
 20 procedures to laws and regulations, correct?  
 21 A. I don't recall that we -- we did that.  
 22 Q. On Bates No. 77, there is an example of  
 23 an internal audit report.  
 24 Sir, I'm seeing two different kinds of



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1 kind of captions in Walgreens documentation about  
2 audits, and I'm seeing I think what Walgreens  
3 refers to as a mini-audit.  
4 Is that -- are you familiar with that  
5 term?  
6 A. Well, actually, I wasn't familiar with  
7 the term until we met in preparation and I was  
8 shown some documents that talked to mini-audits.  
9 Q. All right.  
10 A. I didn't recall what that was when --  
11 until I saw those documents.  
12 Q. And do you have an understanding sitting  
13 here today what a -- the scope is of a mini-audit,  
14 just generally?  
15 A. Generally, yes.  
16 Q. And what is the scope of a mini-audit  
17 generally?  
18 A. It appeared to be a self-audit that was  
19 performed by the DC operations. So, there was a  
20 number of page checklist, it looked like a yes-no  
21 checklist that I saw that was signed off, if I  
22 recall, by three different parties. All three of  
23 those parties were not members of our team but  
24 appeared to be members of the DC management team.

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1 Q. Okay. So, the mini-audits weren't  
2 performed by your group?  
3 A. The actual activities were not performed  
4 by our group. But, again, and I'm only reacting to  
5 what I saw, I saw a reference to it -- the  
6 mini-audit form copying the internal audit  
7 function. So, clearly someone from our team  
8 received that information.  
9 But, no, those -- the actual activities  
10 themselves were not performed by the function.  
11 Q. Let me make sure I understand.  
12 Do you believe, even though that your  
13 group was copied, that your group in any shape,  
14 form or fashion approved those mini-audits?  
15 A. No. I saw -- I saw one other, again, in  
16 the documents, an e-mail from -- from an internal  
17 audit team member to the DC announcing that, you  
18 know, it's time for your -- you to perform these  
19 DEA -- mini-DEA audits.  
20 So, it looks like we were aggregating  
21 them in some form. But honestly I have -- I had no  
22 recollection prior to seeing that e-mail that we  
23 did anything with the self-audit process from the  
24 distribution centers.

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1 Q. Help me understand when you use the word  
2 "aggregating them." So, it looks like we were  
3 aggregating them. What do you mean by that?  
4 A. I think there was a -- and, again, I  
5 don't recall specifics, but there was an e-mail --  
6 Q. Right.  
7 A. -- that talked about aggregating results  
8 of the mini-DEA audits.  
9 Q. So, by taking all of the different  
10 mini-audits and aggregating the results?  
11 A. Exactly.  
12 Q. Got you. But --  
13 A. But I don't -- I don't recall any --  
14 anything more on that other than what I saw in  
15 those documents.  
16 Q. And you referred to those as  
17 self-audits?  
18 A. I did.  
19 Q. All right. So, a self-audit would mean  
20 that members of the distribution centers were going  
21 through the checklist on the mini-audit and  
22 ensuring that whatever the boxes were, that they  
23 were asking the question and checking it off?  
24 A. Correct.

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1 Q. Now, if your group was auditing  
2 essentially the results to ensure that they were  
3 accurate, would you have known about it?  
4 MR. HOUTZ: Object to form, speculation.  
5 BY THE WITNESS:  
6 A. I don't know.  
7 BY MR. MOUGEY:  
8 Q. You kept pretty close tabs on these 30,  
9 35 employees that worked for you?  
10 A. I -- close tabs on the 30, 35, no. I  
11 think I probably kept close tabs on the five direct  
12 reports reporting to me.  
13 Q. When I say "close tabs," you understood  
14 what their -- they were doing and the types of  
15 projects they were working on, correct?  
16 A. At the time, yes, absolutely.  
17 Q. And the projects that your teams were  
18 working on, you would have reports back from the  
19 five -- did you call them district --  
20 A. Directors.  
21 Q. Directors. And you would have reports  
22 back from the five directors, correct?  
23 A. Yes, we held weekly probably -- I'm now  
24 supposing. I generally held one-on-one meetings

<p style="text-align: right;">Page 74</p> <p>1 with my direct reports.</p> <p>2 And just for clarity, they were</p> <p>3 directors in 2015. Probably when I joined they</p> <p>4 were -- the direct reports of mine were manager</p> <p>5 levels but that's just a...</p> <p>6 Q. And I'm on Bates No. 77 and it's titled</p> <p>7 "Internal Audit Report."</p> <p>8 So, before we look at this specifically,</p> <p>9 and this is a template, explain to me what an</p> <p>10 internal audit report is.</p> <p>11 A. An internal audit report generally</p> <p>12 summarizes the scope of work performed and any</p> <p>13 issues identified as part of the audit procedures</p> <p>14 performed.</p> <p>15 Q. Would an internal audit also identify</p> <p>16 the documents relied on during the audit?</p> <p>17 A. Not necessarily. I mean, again, if</p> <p>18 there was an issue identified in an area, it might</p> <p>19 specifically refer to the documents that were</p> <p>20 reviewed that resulted in the issue being an issue,</p> <p>21 if that makes sense.</p> <p>22 Q. Sure.</p> <p>23 A. But I don't -- I don't think -- I don't</p> <p>24 think in every audit report would there be a</p>	<p style="text-align: right;">Page 76</p> <p>1 that was performed by the team.</p> <p>2 Q. And the SOX analysis was -- I mean,</p> <p>3 that's primarily financial, correct?</p> <p>4 A. Financial and IT.</p> <p>5 Q. Financial and IT. And help me to</p> <p>6 understand. You said financial and operations and</p> <p>7 then SOX. What's the -- what is the difference</p> <p>8 between the financial component in the first</p> <p>9 description and SOX?</p> <p>10 A. SOX was -- would have been more very</p> <p>11 definitive -- the example I gave of this approval,</p> <p>12 right. So, a SOX control might dictate that</p> <p>13 management follow a certain approval level relative</p> <p>14 to the expenditures being processed. That's a very</p> <p>15 specific identified control.</p> <p>16 So, under Sarbanes-Oxley, management has</p> <p>17 to identify what they deem to be their critical</p> <p>18 controls to ensure financial statements are not</p> <p>19 materially misstated. And, so, those very, very</p> <p>20 specific individual internal controls would be</p> <p>21 identified by management and then tested by the</p> <p>22 audit function annually.</p> <p>23 Q. And the financial component outside of</p> <p>24 SOX would be broader?</p>
<p style="text-align: right;">Page 75</p> <p>1 specific reference to any and all documents or</p> <p>2 types of documents that were reviewed, if that --</p> <p>3 if that helps or if that...</p> <p>4 Q. And if you look at page 75, you'll see</p> <p>5 the word "Report Cover Templates."</p> <p>6 Do you see that?</p> <p>7 A. Yes.</p> <p>8 Q. All right. And you believe that the</p> <p>9 next page, "Internal Audit Report," is an example</p> <p>10 of a report cover template?</p> <p>11 A. Yes.</p> <p>12 Q. And on Bates No. 77, "Internal Audit</p> <p>13 Report," and it lists just the date, subject, from,</p> <p>14 to and cc.</p> <p>15 Do you see that?</p> <p>16 A. Yes.</p> <p>17 Q. Now, we've talked about mini-audits and</p> <p>18 internal audit reports. What other just broad</p> <p>19 categories of audits would your group conduct while</p> <p>20 at Walgreens?</p> <p>21 A. So, financial and operational audits</p> <p>22 across multiple processes. I think that's probably</p> <p>23 the -- I'm sorry. There was also SOX-related</p> <p>24 activities. So, Sarbanes-Oxley related testing</p>	<p style="text-align: right;">Page 77</p> <p>1 A. Broader, exactly.</p> <p>2 Q. So, let's talk about the operations</p> <p>3 piece that you mentioned.</p> <p>4 Tell me -- give me just a general</p> <p>5 description of what the operations piece is.</p> <p>6 A. Could be anything.</p> <p>7 Q. Okay.</p> <p>8 A. Generally speaking, they were kind of in</p> <p>9 broad financial areas, but I guess I don't remember</p> <p>10 specific audits enough to tell you. But they would</p> <p>11 be more broad.</p> <p>12 Q. Now, the internal audit report, where</p> <p>13 would that fall into the rubric of</p> <p>14 financial/operations and Sarbanes-Oxley?</p> <p>15 A. So, if you go to 75. If you see, there</p> <p>16 is three different report cover templates.</p> <p>17 Q. Okay. The SOX, the DEA and operational</p> <p>18 reports?</p> <p>19 A. Correct.</p> <p>20 Q. So, DEA would essentially be one of the</p> <p>21 three different kinds of internal audit reports.</p> <p>22 Is that a fair way to say it?</p> <p>23 A. That's correct.</p> <p>24 Q. Okay. So, it's different than</p>

<p style="text-align: right;">Page 78</p> <p>1 operational, different than SOX, and it had its own  2 kind of space, so to speak?  3 A. It had its own space, correct.  4 Q. Did you have a team while you were at  5 Walgreens that kind of focused on the DEA internal  6 audits?  7 A. Yes.  8 Q. And who was that?  9 A. The two names that are -- that I saw in  10 that e-mail, and that's the only two I'll remember  11 from, was Brad Yarbrough and James Overbake I  12 think.  13 But those were -- let me just clarify  14 that.  15 Those were at a staff level. So, from a  16 director level, and I believe this may have  17 transitioned during my tenure there, but I think  18 originally Bruce Kowalski was again originally  19 manager but then a director level. But I think  20 his -- he was primarily focused on the DEA audits,  21 and then it may have moved to Ryan Molnar.  22 But that's kind of fuzzy, to be honest  23 with you.  24 Q. What was Ryan's last name? I'm sorry.</p>	<p style="text-align: right;">Page 80</p> <p>1 controls established by Walgreens DCs."  2 Make sure we get our lingo right.  3 That's the Walgreens distribution centers, right?  4 A. That's correct.  5 Q. "To ensure compliance with DEA  6 regulation Section 1300 found in Title 21 of the  7 Federal Code of Regulations."  8 Do you see that, sir?  9 A. Yes, I do.  10 Q. Now, I'm -- again, I'm still a little  11 confused now with comparing internal controls to  12 ensure they're in compliance with Section 1300 in  13 Title 21.  14 Do you see that?  15 A. I see that.  16 Q. To me, I'm reading that, that looks to  17 me like we're looking at what the internal controls  18 are and ensuring they're compliant with federal  19 code and federal regs.  20 Am I misreading that?  21 A. Again, I don't -- I don't recall us ever  22 doing anything that would have identified policy  23 versus regulations.  24 Q. I understand.</p>
<p style="text-align: right;">Page 79</p> <p>1 A. Molnar.  2 Q. Molnar. Okay. So, this -- let's go  3 back to 77, which is the template for the internal  4 audit on a DEA report cover template?  5 A. Yes.  6 Q. Sitting here, do you have an  7 understanding generally of what the scope was when  8 Walgreens was performing an internal audit  9 regarding the DEA?  10 A. And I'm going to be totally blunt. I  11 did when I read through this -- this kind of a  12 document when it was shared with me in prep. So,  13 then I -- I could see on words on the paper what.  14 Q. And that refreshed your memory of what  15 the -- of what the scope was?  16 A. Well, it is what is written there. I  17 mean, yeah, guess it would somewhat refresh my  18 memory.  19 Q. Well, let's look at the section covered  20 "Scope" to start, if you would. I believe it's at  21 the bottom of the page, the second kind of block  22 up. Do you see the "Scope"?  23 A. Yes.  24 Q. And "The review focused on the internal</p>	<p style="text-align: right;">Page 81</p> <p>1 A. I think -- so, I --  2 Q. Where I'm confused and tell me if I'm  3 wrong. And I understand your testimony that you  4 don't recall comparing internal controls to federal  5 regs and statutes.  6 But if you read that first sentence,  7 with all of your experience in the audit space and  8 your time at Walgreens, does that appear to you  9 that Walgreens was comparing its internal controls  10 to the applicable statutes and regs?  11 A. I mean, I see those, the words on the  12 paper, but I think another interpretation could be  13 the review focused on the internal controls  14 established by Walgreens.  15 So, those internal controls were  16 represented by the policy statements that the  17 company had created. And, so, those -- and that  18 those policy statements were created to comply with  19 the regulation. But, again, I'm surmising.  20 Q. Fair enough. So, your recollection is  21 that -- let me do it another way.  22 Based on your recollection of the scope  23 of the DEA audits was that your group was comparing  24 the practices of Walgreens' employees to Walgreens'</p>

<p style="text-align: right;">Page 82</p> <p>1 policies and procedures to ensure compliance?</p> <p>2 A. That would have been my expectation and</p> <p>3 my assumption. I -- yeah, that would have been my</p> <p>4 expectation and my assumption.</p> <p>5 As I think I mentioned earlier, I do</p> <p>6 recall that the team would on a periodic basis meet</p> <p>7 with legal and the DC management. There could have</p> <p>8 been information exchanged there that was -- I</p> <p>9 don't know -- more detailed than the policies.</p> <p>10 I just -- I don't know. I don't know</p> <p>11 what was shared. But I do recall that there were</p> <p>12 discussions to try to --</p> <p>13 Q. Let's do it this way.</p> <p>14 A. -- ensure people understood.</p> <p>15 Q. You're familiar with the thoroughness of</p> <p>16 your five directors, correct?</p> <p>17 A. At this point, I probably couldn't tell</p> <p>18 you today who was more thorough than another. But</p> <p>19 generally speaking they were.</p> <p>20 Q. I wasn't asking you to rank them.</p> <p>21 A. Okay.</p> <p>22 Q. I just said you're generally familiar</p> <p>23 with the thoroughness of your directors, correct?</p> <p>24 A. Yeah, best as I can recollect, yes.</p>	<p style="text-align: right;">Page 84</p> <p>1 Am I misreading that again?</p> <p>2 A. Again, all I can say is I don't recall</p> <p>3 us doing a specific comparison or I wasn't involved</p> <p>4 perhaps in a specific comparison of the policies</p> <p>5 that were in place to the -- to the regulations</p> <p>6 that existed.</p> <p>7 Q. But you would have reviewed and approved</p> <p>8 these internal audit reports as explained on Bates</p> <p>9 No. 77 under the template section, right?</p> <p>10 A. Yes.</p> <p>11 Q. And --</p> <p>12 A. I would have reviewed this, yes.</p> <p>13 Q. Right. Not that you don't have any</p> <p>14 independent recollection of comparing them to</p> <p>15 Section 1300 to ensure compliance, but let's just</p> <p>16 talk about the words on this piece of paper in your</p> <p>17 seven years at Walgreens. Okay?</p> <p>18 The first part of that sentence, "To</p> <p>19 substantiate compliance with Section 1300, we</p> <p>20 conducted interviews with DC management, documented</p> <p>21 the movement of controlled drugs from the receiving</p> <p>22 dock to the shipping dock, and used an audit</p> <p>23 testing program that encompasses Section 1300</p> <p>24 requirements." Okay.</p>
<p style="text-align: right;">Page 83</p> <p>1 Q. You would expect that if they didn't</p> <p>2 have the policies and procedures at Walgreens that</p> <p>3 they needed and required more information to</p> <p>4 effectively implement their audit, that they would</p> <p>5 go find that information, right?</p> <p>6 A. Yes.</p> <p>7 Q. And if that information meant going to,</p> <p>8 you know, regulatory and the legal department to</p> <p>9 find out what it is, you would expect that they</p> <p>10 would do that?</p> <p>11 A. Yes, I would have expected that they did</p> <p>12 that.</p> <p>13 Q. To the extent necessary?</p> <p>14 A. Right.</p> <p>15 Q. Otherwise they were relying on</p> <p>16 Walgreens' policies and procedures?</p> <p>17 A. Yes.</p> <p>18 Q. And the next sentence says, "To</p> <p>19 substantiate compliance with Section 1300."</p> <p>20 Now, that confuses me again because when</p> <p>21 I read that, it looks like we are comparing</p> <p>22 Walgreens' policy -- what Walgreens' internal</p> <p>23 policies and procedures and substantiating them</p> <p>24 against Section 1300.</p>	<p style="text-align: right;">Page 85</p> <p>1 So, your understanding, based on your</p> <p>2 time at Walgreens, was that your group was simply</p> <p>3 comparing the policies and procedures of the</p> <p>4 employees on a day-to-day basis with -- that's a --</p> <p>5 that's a -- let me redo that. I apologize.</p> <p>6 Based on the sentence we just reviewed,</p> <p>7 your understanding is that the audit group was</p> <p>8 comparing the day-to-day job of Walgreens'</p> <p>9 employees to Walgreens' policies and procedures and</p> <p>10 ensuring that they were fulfilling their</p> <p>11 obligations?</p> <p>12 A. That's -- again, that's what I would</p> <p>13 recollect that they would do.</p> <p>14 Q. Let's look at the "Conclusion" section</p> <p>15 on the template. "In our opinion." Do you see</p> <p>16 where I am at the top of the page?</p> <p>17 A. Yes.</p> <p>18 Q. "(DEA - No Issues). In our opinion, the</p> <p>19 internal controls that ensure compliance with DEA</p> <p>20 regulations at the XX distribution center are</p> <p>21 designed appropriately and operating effectively."</p> <p>22 Do you see that, sir?</p> <p>23 A. Yes.</p> <p>24 Q. Now, do you see the words "internal</p>

<p style="text-align: right;">Page 86</p> <p>1 controls," right?</p> <p>2 A. Yes.</p> <p>3 Q. And you see the words "designed</p> <p>4 appropriately," right?</p> <p>5 A. Yes.</p> <p>6 Q. How would Walgreens ensure that the</p> <p>7 internal controls were designed appropriately?</p> <p>8 What steps did it take?</p> <p>9 A. I don't know specifically what those</p> <p>10 steps were.</p> <p>11 Q. I'm still caught up with and still a</p> <p>12 little -- kind of having trouble with the comparing</p> <p>13 the employees day to day to the policies and</p> <p>14 procedures without comparing them to the applicable</p> <p>15 regs and statutes. Okay. Because -- help me to</p> <p>16 understand.</p> <p>17 But to me in order to test -- I think is</p> <p>18 a -- the internal controls to ensure they were</p> <p>19 compliant with DEA regs and that they were designed</p> <p>20 appropriately, the audit would have to compare the</p> <p>21 policies and procedures to the applicable regs,</p> <p>22 correct?</p> <p>23 A. Again, I just don't know whether or not</p> <p>24 that was done. I can't sit here and say</p>	<p style="text-align: right;">Page 88</p> <p>1 internal audit, correct?</p> <p>2 A. Correct. Well, yeah, I'd say if there</p> <p>3 were -- so, I think the difference between these</p> <p>4 two is the first "Conclusion" box is if there were</p> <p>5 absolutely no issues identified as a result of the</p> <p>6 review and the second box would be if there were</p> <p>7 issues identified.</p> <p>8 So, we -- if there were issues</p> <p>9 identified, then those were specifically listed as</p> <p>10 exceptions in the second box.</p> <p>11 Q. So, despite the language under the</p> <p>12 "Conclusion" section and under the "DEA - Issues"</p> <p>13 section about ensuring compliance with DEA regs,</p> <p>14 your recollection sitting here today over your</p> <p>15 seven years is that your group relied on the</p> <p>16 policies and procedures in place at Walgreens to</p> <p>17 elaborate on what the DEA regulations were?</p> <p>18 A. Well, yes, but, as I mentioned, I recall</p> <p>19 that there were specific meetings held by the team</p> <p>20 with the legal function and the DC manager. I</p> <p>21 can't say that it's narrowly limited to the</p> <p>22 policies.</p> <p>23 So, if legal had brought something up to</p> <p>24 the team, then I would assume that we would have</p>
<p style="text-align: right;">Page 87</p> <p>1 affirmatively that that was done because I didn't</p> <p>2 do it and I don't know whether the team did it. I</p> <p>3 just don't.</p> <p>4 Q. Do you agree that this language appears</p> <p>5 to demonstrate, to explain, that part of the scope</p> <p>6 of the audit was to compare Walgreens' internal</p> <p>7 controls to the applicable statutes and regs to</p> <p>8 ensure they were compliant?</p> <p>9 A. I don't believe that that was the case.</p> <p>10 Q. I understand it's not the case. Okay.</p> <p>11 But what I'm asking you is based on your</p> <p>12 seven years at Walgreens and your experience as an</p> <p>13 auditor, reading that language, do you agree with</p> <p>14 me that it appears to tell the reader that the</p> <p>15 internal controls are being tested to ensure</p> <p>16 compliance with DEA regs and that they are designed</p> <p>17 appropriately?</p> <p>18 A. It says the internal controls. So, if</p> <p>19 you read it, there are some internal controls are</p> <p>20 designed appropriately and operating effectively</p> <p>21 and that, yes, those controls should ensure</p> <p>22 compliance with DEA regulations.</p> <p>23 Q. But in order for your group, your group</p> <p>24 would make a recommendation after, after this</p>	<p style="text-align: right;">Page 89</p> <p>1 incorporated that information into the process</p> <p>2 beyond --</p> <p>3 Q. And --</p> <p>4 A. -- beyond what might have been</p> <p>5 identified by company policy.</p> <p>6 Q. So, if your teams were to consult and</p> <p>7 rely on information from regulatory and legal to</p> <p>8 establish what the DEA regulations are or were, you</p> <p>9 would expect that those would have been documented</p> <p>10 in these internal audit reports, correct, sir?</p> <p>11 MR. HOUTZ: Object to form.</p> <p>12 BY THE WITNESS:</p> <p>13 A. I don't think it would have been</p> <p>14 documented in the report. I think it would have</p> <p>15 been -- where was the reference?</p> <p>16 So, if you -- can you go down to the</p> <p>17 "Scope" section?</p> <p>18 BY MR. MOUGEY:</p> <p>19 Q. Yes, sir.</p> <p>20 A. If you look at that, that last item, it</p> <p>21 says, "and used an audit testing program that</p> <p>22 encompasses Section 1300 requirements."</p> <p>23 So, the actual activities being</p> <p>24 performed by the auditors, which are not -- you</p>



<p style="text-align: right;">Page 90</p> <p>1 don't see those in this document. I don't -- I          2 don't see the actual, you know, the testing          3 program.          4 Q. Actually, you went to the exact spot I          5 was going back to. So, explain to me what your          6 understanding of what "audit testing" meant.          7 A. So, there would have been a program, a          8 program is just a list of steps, right, that would          9 need to be completed in order to conclude.          10 So, where -- and this one doesn't have          11 it. But if there were -- if there was one you had          12 that had an issue in it, assumedly that issue was          13 identified because a program step was completed and          14 the results of that program step identified that          15 that activity wasn't being performed or something          16 wasn't correct or accurate about that activity.          17 Does that make sense?          18 Q. Well, when you say "this one doesn't          19 have it," this is the template, right?          20 A. This is just -- yeah, this is just a          21 template of the report cover or the report cover.          22 So, if you go to that second box, right,          23 it says list of exceptions, right. There would be          24 an attachment to this document, which is not part</p>	<p style="text-align: right;">Page 92</p> <p>1 A. I would -- no, I would rely on the          2 director to ensure that the testing program that          3 had been defined was followed and executed and all          4 the steps were performed, and only if I had -- so,          5 I would get this report as it's been completed and          6 ask questions or perhaps look into it.          7 Q. So, you mean to tell me when these          8 reports were provided, the audit testing, you did          9 not believe it was important that that test be          10 described in the final audit process or report?          11 A. You would have a fair -- you would have          12 an incredibly long document each time. This is          13 meant to summarize, right, these audit reports are          14 meant to summarize the results of the work          15 performed, not to -- not to go into the specific          16 details of every step that was performed in order          17 to conclude.          18 Q. I didn't ask you every step. I didn't          19 ask you every detail. I said the tests that were          20 used.          21 A. No, obviously not. I mean, that's --          22 otherwise it would have been identified much more          23 further in this document. But this --          24 Q. Where in the world would your group</p>
<p style="text-align: right;">Page 91</p> <p>1 of the template. The template is just a standard.          2 Right.          3 So, the -- there was also -- there would          4 be an attachment to this document that identified          5 specific issues related to the audit. And so -- in          6 this one, this is just the report cover, if you          7 want to call it that.          8 Q. But we got started on this line of          9 questioning with I asked if the audit team relied          10 on regulatory and legal to understand what the DEA          11 regs were, that it would be documented somewhere in          12 the audit?          13 A. Somewhere, yes.          14 Q. Is the answer yes or no to that          15 question?          16 A. Somewhere in the -- somewhere in the          17 audit process.          18 Q. Somewhere in the audit process.          19 A. Yes.          20 Q. So, as you as the chief director, when          21 you were reviewing the work performed, you would          22 want to see the package including what your team's          23 understanding was of the applicable DEA          24 regulations, would you not?</p>	<p style="text-align: right;">Page 93</p> <p>1 identify what its understanding of the DEA          2 regulations were? Where would those be?          3 A. They would be documented in memos or          4 other Excel spreadsheets or whatever the case may          5 be to support the audit report.          6 Q. And those wouldn't be referenced or          7 attached in the audit report?          8 A. No.          9 Q. So, the audit report says, yep, they're          10 compliant with DEA regs, but nobody understands --          11 the readers of these reports don't understand what          12 the applicable parameters for the DEA regs were?          13 MR. HOUTZ: Object to form and foundation.          14 BY THE WITNESS:          15 A. I don't think I understand.          16 BY MR. MOUGEY:          17 Q. How in the -- how does the reader of          18 this document understand what the applicable DEA          19 regs that your team used to ensure compliance?          20 MR. HOUTZ: Same objection.          21 BY THE WITNESS:          22 A. I don't know the answer to that. I          23 don't -- I'm -- I'm --          24 BY MR. MOUGEY:</p>

<p style="text-align: right;">Page 94</p> <p>1 Q. So --</p> <p>2 A. I don't know what -- you're asking me to</p> <p>3 answer a question about what the recipients?</p> <p>4 Q. You as a director, as the chief guy in</p> <p>5 charge of all this team of 30, 35 people, you get a</p> <p>6 report that says we are -- that Walgreens is</p> <p>7 compliant or we have issues, right?</p> <p>8 A. Yeah, I relied on my directors to --</p> <p>9 Q. Yes or no. You get a report as the</p> <p>10 director that says either, A, we are compliant or,</p> <p>11 B, we have issues, correct?</p> <p>12 A. I receive this report, yes, affirmative.</p> <p>13 Q. And you read that report to ensure it</p> <p>14 passes your standards for completeness and</p> <p>15 thoroughness, correct?</p> <p>16 A. Correct.</p> <p>17 Q. And would you agree that an important</p> <p>18 part of that report is what the standard practices</p> <p>19 or the scope of the audit was?</p> <p>20 MR. HOUTZ: Object to form.</p> <p>21 BY THE WITNESS:</p> <p>22 A. I would agree that an important part of</p> <p>23 the report was the "Scope" section.</p> <p>24 BY MR. MOUGEY:</p>	<p style="text-align: right;">Page 96</p> <p>1 know what it's being tested against, what good is</p> <p>2 the report?</p> <p>3 MR. HOUTZ: Object to form.</p> <p>4 BY THE WITNESS:</p> <p>5 A. I think the report identifies the issues</p> <p>6 that we looked at and...</p> <p>7 MR. MOUGEY: Why don't we take a few-minute</p> <p>8 break, if we could.</p> <p>9 MR. HOUTZ: I was just going to ask for that</p> <p>10 if you're done with this document.</p> <p>11 THE VIDEOGRAPHER: We are off the record at</p> <p>12 10:46 a.m.</p> <p>13 (WHEREUPON, a recess was had</p> <p>14 from 10:46 to 11:09 a.m.)</p> <p>15 BY MR. MOUGEY:</p> <p>16 Q. Mr. Domzalski --</p> <p>17 THE VIDEOGRAPHER: I'm sorry, Counsel.</p> <p>18 MR. MOUGEY: I'm sorry. I thought we were</p> <p>19 ready.</p> <p>20 THE VIDEOGRAPHER: We're back on the record at</p> <p>21 11:09 a.m.</p> <p>22 BY MR. MOUGEY:</p> <p>23 Q. The internal report, the internal audit</p> <p>24 report that we left off on, page 77, this page or</p>
<p style="text-align: right;">Page 95</p> <p>1 Q. Would you agree that the important part</p> <p>2 of the audit was what the day-to-day</p> <p>3 responsibilities of Walgreens' employees were that</p> <p>4 were being audited?</p> <p>5 A. Again, I'd say that -- you know, I've</p> <p>6 worked at other companies and the level of the</p> <p>7 detail in this audit report is no different than I</p> <p>8 would see in any company.</p> <p>9 Q. That's not what I asked you, sir.</p> <p>10 What I asked you was: Would you expect</p> <p>11 to see the day-to-day activities, a listing or a</p> <p>12 identification of those, of what were being</p> <p>13 audited?</p> <p>14 A. No.</p> <p>15 Q. Would you expect to see the actual, your</p> <p>16 team's group -- I'm sorry -- your team's</p> <p>17 understanding of what the DEA regulations were that</p> <p>18 they were auditing?</p> <p>19 A. No, I would rely on the people reporting</p> <p>20 to me, which were director or manager levels, to</p> <p>21 perform the detailed review of the work that</p> <p>22 supported the audit report.</p> <p>23 Q. Help me to understand. If you don't --</p> <p>24 if you don't know what's being tested and you don't</p>	<p style="text-align: right;">Page 97</p> <p>1 two of templates, sir, this was simply kind of the</p> <p>2 cover page giving the conclusions of the audit,</p> <p>3 correct, sir?</p> <p>4 A. Yes.</p> <p>5 Q. The work product behind the audit</p> <p>6 elaborating on the details, so to speak, were in --</p> <p>7 in other documents, correct, sir?</p> <p>8 A. Correct.</p> <p>9 Q. And --</p> <p>10 A. There was an -- yeah, there would be an</p> <p>11 attachment to this front page with any issues that</p> <p>12 had been identified as a result of the work</p> <p>13 performed. That would have been called something</p> <p>14 like Attachment A or...</p> <p>15 Q. So, there were typical -- what other</p> <p>16 attachments were typically included in the internal</p> <p>17 audit report for DEA?</p> <p>18 A. I think for -- to my recollection, for</p> <p>19 any audit, there would just be this cover page,</p> <p>20 one- or two-page summary, and then a listing of the</p> <p>21 issues that had been identified as a result of the</p> <p>22 audit. I don't recall there being incremental</p> <p>23 things added to it.</p> <p>24 Q. Are you familiar with the term "work</p>

<p style="text-align: right;">Page 98</p> <p>1 papers" within Walgreens --</p> <p>2 A. Yes.</p> <p>3 Q. -- in relation to audits?</p> <p>4 A. Absolutely.</p> <p>5 Q. Will you turn to Bates No. 19 of that</p> <p>6 same document.</p> <p>7 A. 19?</p> <p>8 Q. Yes, sir. 319.</p> <p>9 So, as you were referring or reviewing,</p> <p>10 the internal audit report cover template, would you</p> <p>11 refer back to the work papers?</p> <p>12 A. Generally I don't think I would have to.</p> <p>13 I would -- I probably very rarely would look at</p> <p>14 work papers supporting the --</p> <p>15 Q. So, the answer is yes, once in a while</p> <p>16 you refer back to the work papers?</p> <p>17 A. Yeah. Yeah, rarely.</p> <p>18 Q. But the answer is yes, you would refer</p> <p>19 back to the work papers on occasion, correct, sir?</p> <p>20 A. Yeah, on occasion.</p> <p>21 Q. Yes, sir. On Bates No. 19, there is a</p> <p>22 section, "Control and Retention of Engagement</p> <p>23 Records."</p> <p>24 Do you see that, sir?</p>	<p style="text-align: right;">Page 100</p> <p>1 the DEA audits were stored in one -- in one place?</p> <p>2 A. I would have to look probably on a</p> <p>3 shared drive --</p> <p>4 Q. Yes, sir.</p> <p>5 A. -- is my guess, yes.</p> <p>6 Q. Exactly. And you see here, sir, on Page</p> <p>7 No. 19 where the actual network drive, I:\LPD, are</p> <p>8 listed under "Procedures: Physical &amp; Electronic</p> <p>9 Control over Engagement Records/Documentation."</p> <p>10 Do you see that, sir?</p> <p>11 A. Yes.</p> <p>12 Q. And it refers or uses the term "work</p> <p>13 papers" at the end of Section 2.</p> <p>14 Do you see that, sir?</p> <p>15 A. At the end of Section 2, yes.</p> <p>16 Item No. 2 under "Procedures"? Is</p> <p>17 that --</p> <p>18 Q. Yes, sir.</p> <p>19 A. Yes.</p> <p>20 Q. And you see that they are required to be</p> <p>21 kept for a period of seven years.</p> <p>22 Do you see that, sir?</p> <p>23 A. Sorry. Can you point me to the seven</p> <p>24 years?</p>
<p style="text-align: right;">Page 99</p> <p>1 A. Yes.</p> <p>2 Q. Are you familiar with the -- with what</p> <p>3 an engagement record is at Walgreens in the context</p> <p>4 of audits?</p> <p>5 A. Work papers, yes.</p> <p>6 Q. Yes, sir. And what is an engagement</p> <p>7 record?</p> <p>8 A. It would have been -- so, we talked</p> <p>9 about the issues that were identified.</p> <p>10 Q. Yes.</p> <p>11 A. It would be memos, Word documents, Excel</p> <p>12 files, et cetera, that would support the actual</p> <p>13 summary of information that was communicated in the</p> <p>14 audit report itself.</p> <p>15 Q. So, you used the word "support."</p> <p>16 Support or backup for the cover template, correct?</p> <p>17 A. I'd say for the cover template and the</p> <p>18 Attachment A that would include the issues. So, in</p> <p>19 order to identify an issue, something had to be</p> <p>20 done to conclude that there was an issue, and those</p> <p>21 work papers would be records of that.</p> <p>22 Q. And if you need to, sir, you can look at</p> <p>23 Bates No. 19, but are you familiar with the fact</p> <p>24 that all of the support for the cover template for</p>	<p style="text-align: right;">Page 101</p> <p>1 Q. Just bear with me. It's on Bates No. 20</p> <p>2 at the bottom of the page. Do you see the</p> <p>3 paragraph that begins at the bottom of the page,</p> <p>4 "Every year, in April."</p> <p>5 A. Yes.</p> <p>6 Q. And the second sentence says, "When this</p> <p>7 day approaches the department administrative</p> <p>8 assistant will move all electronic work papers,</p> <p>9 over 7 years old (based on the report date) and not</p> <p>10 associated with any open audit issues, to a central</p> <p>11 folder."</p> <p>12 Do you see that, sir?</p> <p>13 A. Yes.</p> <p>14 Q. So, it's -- if the audit is still open,</p> <p>15 meaning that the issues, it's not the date of the</p> <p>16 report, but if it's ongoing, they're stored,</p> <p>17 correct?</p> <p>18 A. Let me just read through it again.</p> <p>19 Q. Let's just read the language.</p> <p>20 "When this day approaches, the</p> <p>21 department administrative assistant will move all</p> <p>22 electronic work papers, over 7 years old (based on</p> <p>23 the report date) and not associated with any open</p> <p>24 audit issues, to a central folder."</p>

<p style="text-align: right;">Page 102</p> <p>1 Do you see that, sir?</p> <p>2 A. Yes, I do.</p> <p>3 Q. "From each project folder within the</p> <p>4 central folder, a copy of the process flows and</p> <p>5 risk control matrix are copied to the</p> <p>6 T:\LPD\Shared\Audit\Prior PF_RCM' folder."</p> <p>7 Do you see that, sir?</p> <p>8 A. Yes, I do.</p> <p>9 Q. Did I read that right?</p> <p>10 A. Yes.</p> <p>11 Q. "After this task has been completed, the</p> <p>12 central folder will be reviewed by the Senior</p> <p>13 Director, Internal Audit (or assigned designee) to</p> <p>14 identify what files can be deleted."</p> <p>15 Do you see that, sir?</p> <p>16 A. Yes, I do.</p> <p>17 Q. And "It is important to note when</p> <p>18 evaluating what files can be deleted," I'll -- just</p> <p>19 gives the location of the folder, "care must be</p> <p>20 taken to ensure supporting system test</p> <p>21 documentation, being relied on in subsequent years</p> <p>22 audits, is not deleted."</p> <p>23 Correct?</p> <p>24 A. Yes, I see that.</p>	<p style="text-align: right;">Page 104</p> <p>1 BY MR. MOUGEY:</p> <p>2 Q. If I use the terms "executive summary,"</p> <p>3 does that make sense to you, executive summary, a</p> <p>4 brief synopsis?</p> <p>5 A. Does the term? Yeah, yes, yes.</p> <p>6 Q. So, would you agree that the report</p> <p>7 cover template as we are looking at on Bates No. 77</p> <p>8 and 78 is a -- kind of an executive summary of all</p> <p>9 of the work papers performed by the audit team?</p> <p>10 A. Yes, but not stand alone. I'd say that</p> <p>11 in conjunction with the attachment that listed the</p> <p>12 issues would be a summary.</p> <p>13 Q. Would be the summary?</p> <p>14 A. Would be the summary.</p> <p>15 Q. The attachment and the report cover</p> <p>16 template would be kind of an executive summary and</p> <p>17 the details would be in the working papers?</p> <p>18 A. Yes. Details that would support the</p> <p>19 issues.</p> <p>20 Q. I hand you, sir, what -- tell you what,</p> <p>21 before we go to the next document, let me hand</p> <p>22 you -- it's P-WAG-1001 and Bates No. WAGFLDEA1767.</p> <p>23 MR. MOUGEY: Mark this as Domzalski 3.</p> <p>24 (WHEREUPON, a certain document was</p>
<p style="text-align: right;">Page 103</p> <p>1 Q. So, somebody thought that it was</p> <p>2 important enough that for subsequent years audits</p> <p>3 that the audit team shall be able to go back and</p> <p>4 review the work papers as necessary, correct?</p> <p>5 MR. HOUTZ: Object to form.</p> <p>6 BY THE WITNESS:</p> <p>7 A. I think that a typical practice that</p> <p>8 existed in audit is if you would go back to the</p> <p>9 prior audit to see the work that had been</p> <p>10 performed.</p> <p>11 BY MR. MOUGEY:</p> <p>12 Q. So, the work performed in previous years</p> <p>13 was an important part for your team members to look</p> <p>14 at and review when performing the current year</p> <p>15 audit?</p> <p>16 A. I think --</p> <p>17 MR. HOUTZ: Object to form. Go ahead.</p> <p>18 BY THE WITNESS:</p> <p>19 A. It could be. Certainly -- it could be a</p> <p>20 source of information for the team, especially I</p> <p>21 would say when there were issues identified in the</p> <p>22 prior report that, yes, they would be informative</p> <p>23 to the team to understand what the issues were that</p> <p>24 were identified in the prior audit.</p>	<p style="text-align: right;">Page 105</p> <p>1 marked as Walgreens-Domzalski</p> <p>2 Exhibit No. 3: 11/19/10 Internal</p> <p>3 Audit Report; WAGFLDEA00001767 -</p> <p>4 00001775.)</p> <p>5 BY MR. MOUGEY:</p> <p>6 Q. What I've just handed you, sir, is what</p> <p>7 I understand to be an example of an internal audit</p> <p>8 report from Walgreens and your group in particular</p> <p>9 dated November 19, 2010.</p> <p>10 Do you see that, sir?</p> <p>11 A. Yes, I do.</p> <p>12 Q. And, sir, does this look familiar to</p> <p>13 you, as we just went through the template, as an</p> <p>14 actual internal audit report --</p> <p>15 A. Yeah.</p> <p>16 Q. -- that we've been referring to?</p> <p>17 A. Yes.</p> <p>18 Q. So, this is an example of a DEA</p> <p>19 compliance internal audit report performed by your</p> <p>20 group, correct, sir?</p> <p>21 A. Yes.</p> <p>22 Q. And we can see that, just like the</p> <p>23 conclusion -- just like the template we just looked</p> <p>24 at it, it has a "Conclusion" section, a</p>

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1 "Background" section, "Objective," "Scope,"  
 2 "Findings," and then an attachment just like you  
 3 referenced, correct, sir?  
 4 A. Correct.  
 5 Q. And if we look at these, I just want to  
 6 again make sure I understand, under the  
 7 "Conclusion" section, "In our opinion, internal  
 8 controls that ensure compliance with DEA  
 9 regulations at the Jupiter distribution center (DC)  
 10 are operating effectively with minor areas noted  
 11 for improvement. Areas requiring improvement  
 12 include:" And it lists several bullets.  
 13 Did I read that correctly?  
 14 A. Yes.  
 15 Q. And the bullets include "Asset  
 16 protection procedures, controlled drug reporting,  
 17 inventory maintenance, controlled drug security,  
 18 and DEA hiring documentation."  
 19 Correct, sir?  
 20 A. Yes.  
 21 Q. Now, sir, where would I go -- strike  
 22 that. Let's keep going.  
 23 Under "Background," the "Internal  
 24 Audit," that's your group, right?

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1 A. Yes.  
 2 Q. "Examination for compliance with DEA  
 3 regulations and company policies."  
 4 Now, I'm still struggling. You see  
 5 the -- that your group, according to this document,  
 6 compared and looked for compliance of Walgreens'  
 7 practices to DEA regs.  
 8 Do you see that?  
 9 MR. HOUTZ: Object to form.  
 10 BY THE WITNESS:  
 11 A. I don't -- I don't see that it says  
 12 compared. I go back to my earlier discussion on  
 13 what we discussed.  
 14 BY MR. MOUGEY:  
 15 Q. "Internal audit (IA)" -- "Internal  
 16 Audit" --  
 17 MR. HOUTZ: You interrupted his answer.  
 18 BY MR. MOUGEY:  
 19 Q. Are you finished?  
 20 A. Yes.  
 21 Q. "Internal Audit's (IA) examination for  
 22 compliance with DEA regs."  
 23 So, the background was to examine  
 24 Walgreens' policies and procedures and, one, ensure

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1 compliance with DEA regs, correct?  
 2 A. Again, all I can continue to reiterate  
 3 is that my understanding is that we were looking at  
 4 the company's policies and that we would have  
 5 interpreted that those company policies supported  
 6 compliance with the DEA regs.  
 7 Q. That's not what that sentence says,  
 8 correct, sir? It says, "DEA regulations," and then  
 9 it has the word "and Company policies for the  
 10 distribution of controlled drugs."  
 11 Correct?  
 12 A. That's the words that are here, yes.  
 13 Q. "Company policies and procedures  
 14 regarding controlled drugs are communicated to the  
 15 DC's via the online Compliance Manual."  
 16 Do you see that, sir?  
 17 A. I see that.  
 18 Q. Do you have an understanding of what  
 19 online compliance manual is being referenced here?  
 20 A. I don't honestly recall specifics.  
 21 Q. Would that be in the working papers?  
 22 A. Perhaps some of the specific -- I  
 23 don't -- I don't know whether there was any  
 24 printouts of the compliance manual because I think

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1 people could reference.  
 2 Again, from the words, the compliance  
 3 manual was online. So, my assumption is that our  
 4 team members could reference the online policies  
 5 and procedures that existed relative to  
 6 distribution center.  
 7 Q. Yes, sir, but the question I asked was:  
 8 Do you have an understanding of what online  
 9 compliance manual is being referenced here? Which  
 10 one?  
 11 A. Today I couldn't sit here and tell you.  
 12 Q. And then the follow-up question I asked  
 13 you was: Would the working papers include what  
 14 online manual is being referenced here?  
 15 A. I don't know the answer to that.  
 16 Without looking at -- without looking at the work  
 17 papers, I couldn't tell you that.  
 18 Q. Would it not be important for the  
 19 subsequent internal audit group that's performing  
 20 an audit to know what compliance manual was relied  
 21 on by the previous audit group?  
 22 A. My assumption is that there was probably  
 23 only one compliance manual that was online that was  
 24 available to be reviewed.



<p style="text-align: right;">Page 110</p> <p>1 Q. But that's not the question I asked you,  2 sir. Please, could you just please focus on the  3 question I asked.  4 And the question I simply asked was:  5 Was it not important for an internal audit group  6 that was performing an audit in a current year to  7 be able to look back and understand in previous  8 years what compliance manual the previous internal  9 audit groups relied on?  10 A. It could be that there was one. I don't  11 know how --  12 Q. So, the answer to my question is -- I  13 didn't ask you how many. I didn't ask you to guess  14 how many. I just said wouldn't it be important  15 that the current year internal audit group  16 understand what compliance manual the previous  17 year -- the previous audit relied upon?  18 A. I think that they could have very well  19 asked the manager to say there's a reference to the  20 compliance manual; where do I find the compliance  21 manual?  22 Q. I didn't ask you who they could ask. I  23 didn't ask you how many of them there were. I  24 didn't ask you where it was.</p>	<p style="text-align: right;">Page 112</p> <p>1 BY THE WITNESS:  2 A. To be honest, I think I was good with  3 you until you said the very last line.  4 They would need to know what compliance  5 manual is used by the organization to perform their  6 procedure, their ongoing day-to-day procedures. I  7 don't think the connection between prior and  8 current is relevant to the team.  9 BY MR. MOUGEY:  10 Q. Well, if it's not relevant, why are the  11 working papers required to be kept for a period of  12 seven years for the subsequent auditors to rely on?  13 A. Not so much from the location or the  14 existence of the compliance manual, but what was  15 embedded within -- again, it would identify the  16 activities performed to support the issues that  17 were identified in the report so somebody going  18 back to see what those issues were would have an  19 understanding of what was looked at or evaluated to  20 determine that an issue existed.  21 Q. Let's look at "Scope" on Bates No. 68.  22 "The review focused on the internal  23 controls established by Walgreens' distribution  24 centers to ensure compliance with DEA regulation</p>
<p style="text-align: right;">Page 111</p> <p>1 All I simply asked was: Wouldn't it be  2 important for the team performing the current  3 internal audit report to have an understanding of  4 which compliance manual the previous team used in  5 its internal audit?  6 A. Your question implies there was more  7 than one, and I don't know that there was more than  8 one.  9 Q. So, the answer to my question is if  10 there's only one, they know where to find it but,  11 yes, it would be important that they would know  12 which one it was, correct?  13 A. They would -- they would need to know  14 the location and the contents of the online  15 compliance manual. Yes.  16 Q. So, the answer -- let's make sure it's  17 nice and clean.  18 The answer is, it would be important for  19 the current team performing the internal audit to  20 have an understanding of the specific compliance  21 manual relied upon by the previous team that did  22 the internal audit?  23 MR. HOUTZ: Objection; asked and answered  24 multiple times.</p>	<p style="text-align: right;">Page 113</p> <p>1 Section 1300 found in Title 21 of the Federal Code  2 of Regulations."  3 Did I read that right?  4 A. Yes.  5 Q. Is that an accurate statement?  6 A. Yes.  7 Q. Does it say anything in that sentence  8 about comparing the internal controls established  9 by Walgreens DC to policies and procedures as  10 established at Walgreens in their manuals?  11 A. No.  12 Q. Instead, this sentence clearly indicates  13 that Walgreens' internal controls are being  14 reviewed to ensure compliance with the applicable  15 federal regs and statutes, correct, sir?  16 A. The review focused on the controls that  17 were established by the DC. Those controls were  18 often embedded within policy documents.  19 So, the requirements that were -- the  20 expectations that we had from -- of our people to  21 do what they needed to do would be embedded in the  22 policy documents, which in essence represented the  23 controls that we were looking at.  24 Q. The other part of that sentence,</p>

<p style="text-align: right;">Page 114</p> <p>1 however, sir, in addition to the control, says, "to  2 ensure compliance with DEA reg Section 1300 found  3 in Title 21 of the Federal Code of Regulations,"  4 your group didn't do anything to understand,  5 research and comprehend what the regs were found in  6 Section 1300 in Title 21 of the Federal Code of  7 Regulations, did they?  8 A. I don't -- I think that's not a fair  9 statement. I don't know what they did or didn't  10 do.  11 They, as I have mentioned previously,  12 the team that generally performed these reviews sat  13 down on a regular basis with the legal team and the  14 DC management team to understand the processes and  15 procedures.  16 So, I think whether -- whether there  17 were specific activities that they did in those  18 discussions around 1300 or not, I can't sit here  19 and tell you today.  20 Q. So, the information that was gathered in  21 those meetings you just referenced with the  22 distribution management team and the regulatory and  23 legal team, that information would be contained in  24 the working papers?</p>	<p style="text-align: right;">Page 116</p> <p>1 Exhibit No. 4: 11/13/14 e-mail  2 string with attachment;  3 WAGMDL00734929 - 00735453.)  4 BY MR. MOUGEY:  5 Q. This is an e-mail copied to you, sir.  6 Do you see that on the first page with your name on  7 the right-hand side just like the other e-mail?  8 A. Yes.  9 Q. And the reference is that "The zip file  10 contains departmental policies, procedures and  11 other administrative documents."  12 Do you see that, sir?  13 A. Yes.  14 Q. And in this zip file, if you would, sir,  15 please turn to and the Bates No. is WAGMDL734935.  16 That is about the third page in.  17 Do you see that, sir?  18 A. Sorry. Third page in?  19 Q. I might be wrong.  20 A. I got it.  21 Q. Fourth page in.  22 A. Yep.  23 Q. And this is a -- what appears to be a  24 PowerPoint dated January 2013.</p>
<p style="text-align: right;">Page 115</p> <p>1 A. If they did a good job of documenting  2 their work, yes, it would -- it should exist in the  3 working papers.  4 Q. So, if we want to understand what  5 Walgreens' interpretation of DEA regulation  6 Section 1300 found in Title 21 of the Federal Code  7 of Regulations, we would look in what I understand  8 is two different places: One, the policies and  9 procedure manuals at Walgreens, correct?  10 A. Correct.  11 Q. And, two, the working papers that may or  12 may not reference meetings with the distribution  13 management team and the regulatory legal group,  14 correct, sir?  15 A. That's correct.  16 Q. I'm not going to find those standards in  17 these cover pages, correct, sir?  18 A. The standard -- you're not going to find  19 anything more than what you see here, no.  20 Q. Okay. We're going to come back to this  21 document, so hold on to that for a minute. I'm  22 going to go to Domzalski 4.  23 (WHEREUPON, a certain document was  24 marked as Walgreens-Domzalski</p>	<p style="text-align: right;">Page 117</p> <p>1 Do you see that, sir?  2 A. Yes.  3 Q. And under the "Introduction" slide, on  4 the bottom of Bates No. 35, has your name on it,  5 correct, sir?  6 A. Yes.  7 Q. And the title of the slide on Bates  8 No. 35 is "Introduction to Internal Auditing at  9 Walgreens."  10 Do you see that, sir?  11 A. Yes.  12 Q. "The Theory and Practice of Internal  13 Auditing for Walgreens Auditors."  14 Correct?  15 A. Yes.  16 Q. And the "Introduction" slide says, "The  17 following slides and course materials were prepared  18 to provide new internal auditors at Walgreens with  19 an introduction to the theory and practice of  20 internal auditing and is utilized by the Walgreens  21 internal audit department."  22 Correct, sir?  23 A. Yes.  24 Q. Do you recall giving this presentation,</p>

<p style="text-align: right;">Page 118</p> <p>1 sir?</p> <p>2 A. No, I do not. I probably did not give</p> <p>3 the presentation. Howard probably gave the</p> <p>4 presentation.</p> <p>5 Q. Do you see that your name is on this</p> <p>6 presentation?</p> <p>7 A. Yes, absolutely.</p> <p>8 Q. You wouldn't allow your name to be on</p> <p>9 something if it wasn't accurate, correct?</p> <p>10 A. Most likely, because this was for new</p> <p>11 employees, so I probably joined the group as a</p> <p>12 lead-in for five minutes to introduce myself or,</p> <p>13 you know -- and introduce the discussion and let</p> <p>14 Howard go with the rest of the presentation.</p> <p>15 Q. Yes, sir. That wasn't the question I</p> <p>16 asked you, how long you stayed in the meeting or if</p> <p>17 Howard ran it and the details.</p> <p>18 All I simply asked was: You wouldn't</p> <p>19 allow your name to be on a PowerPoint that wasn't</p> <p>20 accurate, correct, sir?</p> <p>21 A. I would hope I wouldn't. I would hope I</p> <p>22 would not.</p> <p>23 Q. Yes, sir. So, if you would, sir, please</p> <p>24 turn to Bates No. 37.</p>	<p style="text-align: right;">Page 120</p> <p>1 Q. And if you, would, sir, please turn to</p> <p>2 Bates No. 38, the next page, and it's a</p> <p>3 continuation of the first slide, "Walgreens</p> <p>4 Internal Audit Department Objectives -continued."</p> <p>5 Do you see that, sir?</p> <p>6 A. Yes.</p> <p>7 Q. And you see on the very bottom of this</p> <p>8 slide, second-to-last bullet refers to "Compliance</p> <p>9 with applicable laws and regulations." Correct?</p> <p>10 A. Yes.</p> <p>11 Q. The exact same language that we reviewed</p> <p>12 time after time after time on the internal document</p> <p>13 earlier this morning, correct, sir?</p> <p>14 A. Yes. I'm assuming it's the same.</p> <p>15 Q. And if you look again on Bates No. 39,</p> <p>16 just two slides later, "Walgreens Audit Charter,</p> <p>17 Scope and Nature of Work."</p> <p>18 Do you see that, sir?</p> <p>19 A. Yes.</p> <p>20 Q. The intro sentence, "The Internal Audit</p> <p>21 Department shall assist the Company in identifying</p> <p>22 and evaluating significant risk exposures and</p> <p>23 related controls regarding," and the</p> <p>24 second-to-the-last bullet is again, "Compliance</p>
<p style="text-align: right;">Page 119</p> <p>1 In the context of audits, independence</p> <p>2 is paramount, is it not?</p> <p>3 A. Yes.</p> <p>4 Q. And objectivity is paramount, is it not?</p> <p>5 A. Yes, it is.</p> <p>6 Q. Meaning that your group's</p> <p>7 recommendations and analysis are not to be tainted</p> <p>8 by other groups or departments within the</p> <p>9 corporation, correct?</p> <p>10 A. That's correct.</p> <p>11 Q. Meaning that in order for the audit to</p> <p>12 serve its primary function, that your team's</p> <p>13 analysis had to be both independent and objective</p> <p>14 and free from any internal conflicts of interest,</p> <p>15 correct, sir?</p> <p>16 A. Correct.</p> <p>17 Q. As you see on Bates No. 37, the very</p> <p>18 first portion of the second slide indicates that</p> <p>19 "Independently evaluate the adequacy and</p> <p>20 effectiveness of internal controls that manage risk</p> <p>21 and support the achievement of Walgreens business</p> <p>22 objectives."</p> <p>23 Do you see that, sir?</p> <p>24 A. Yes, I do.</p>	<p style="text-align: right;">Page 121</p> <p>1 with laws and regulations."</p> <p>2 Correct, sir?</p> <p>3 A. Yes.</p> <p>4 Q. And continuing on Bates No. 39, the</p> <p>5 slide at the top of the page, the PowerPoint again</p> <p>6 references independence and objectivity, correct,</p> <p>7 sir?</p> <p>8 A. I'm sorry. I lost you.</p> <p>9 Q. Very top slide, first slide of the page,</p> <p>10 Bates No. 39, first paragraph.</p> <p>11 A. Sorry.</p> <p>12 Q. References independence and objectivity,</p> <p>13 correct, sir?</p> <p>14 A. Yes.</p> <p>15 Q. If you would, sir, please turn to the</p> <p>16 next page, Bates No. 40, "Walgreens Internal Audit</p> <p>17 Charter Scope (Areas Subject to Charter)" -- I'm</p> <p>18 sorry -- "(Areas Subject to Audit)."</p> <p>19 Do you see that, sir?</p> <p>20 A. Yes.</p> <p>21 Q. And the very last bullet, again,</p> <p>22 "Compliance with laws and regulations."</p> <p>23 Correct, sir?</p> <p>24 A. Correct.</p>

<p style="text-align: right;">Page 122</p> <p>1 Q. The next slide, "Authority of the</p> <p>2 Internal Audit Department Granted by the Board of</p> <p>3 Directors." Second bullet in, "It has unrestricted</p> <p>4 access to all functions, records, property and</p> <p>5 personnel."</p> <p>6 Correct, sir?</p> <p>7 A. Correct.</p> <p>8 Q. So, pretty much anybody your group</p> <p>9 wanted to talk to at Walgreens to perform its</p> <p>10 audit, your team had access to, correct?</p> <p>11 A. Correct.</p> <p>12 Q. Documents that your team needed to</p> <p>13 review to perform its independent and objective</p> <p>14 audit, your team had access to, correct?</p> <p>15 A. Correct.</p> <p>16 Q. And that included, as indicated on the</p> <p>17 slide on Bates No. 40, to ensure that Walgreens</p> <p>18 complied with all laws and regulations, correct,</p> <p>19 sir?</p> <p>20 A. Compliance with laws. Part of our</p> <p>21 charter was to cover compliance with laws and</p> <p>22 regulations, that's correct.</p> <p>23 Q. Yes, sir. If you'd look at Bates</p> <p>24 No. 43, second slide, "Walgreens Code of Business</p>	<p style="text-align: right;">Page 124</p> <p>1 A. Yes.</p> <p>2 Q. If you would, sir, turn to Bates No. 50,</p> <p>3 the slide titled "IIA Professional Performance -</p> <p>4 Standard 2120.A1 'Risk Management.'"</p> <p>5 Do you see that, sir?</p> <p>6 A. Yes.</p> <p>7 Q. "The internal audit activity must</p> <p>8 evaluate risk exposures relating to the</p> <p>9 organization's governance, operations and</p> <p>10 information systems regarding the," and go to the</p> <p>11 very last bullet, sir, "Compliance with laws,</p> <p>12 regulations, policies, procedures, and contracts."</p> <p>13 Correct?</p> <p>14 A. Yes.</p> <p>15 Q. Again, that language is appearing,</p> <p>16 "Compliance with laws and regulations," over and</p> <p>17 over and over again in this PowerPoint, correct,</p> <p>18 sir?</p> <p>19 A. Yes.</p> <p>20 Q. And is that an accurate -- is that</p> <p>21 accurate, sir?</p> <p>22 MR. HOUTZ: Object to form.</p> <p>23 BY MR. MOUGEY:</p> <p>24 Q. Is that an accurate statement of what</p>
<p style="text-align: right;">Page 123</p> <p>1 Conduct."</p> <p>2 Do you see that, sir?</p> <p>3 A. Yes.</p> <p>4 Q. "The Code of Business Conduct covers</p> <p>5 areas such as," fifth bullet down, "Compliance with</p> <p>6 laws and regulations."</p> <p>7 Correct, sir?</p> <p>8 A. Correct.</p> <p>9 Q. Bates No. 48, "The Importance of</p> <p>10 Internal Audits"?</p> <p>11 A. Yes.</p> <p>12 Q. "Internal Auditors assist upper</p> <p>13 management and the Board of Directors in the</p> <p>14 exercise of their governance responsibilities by</p> <p>15 reporting the results of audits to them. (Auditors</p> <p>16 are the 'eyes and ears' of upper management and the</p> <p>17 Board!)"</p> <p>18 Do you agree with that, sir?</p> <p>19 A. Yes.</p> <p>20 Q. And the second bullet, "Internal Audits</p> <p>21 serve as a vital corporate internal control that</p> <p>22 evaluates the adequacy and effectiveness of other</p> <p>23 internal controls."</p> <p>24 Do you see that, sir?</p>	<p style="text-align: right;">Page 125</p> <p>1 the performance standard is under Section 2120.A1?</p> <p>2 A. It's certainly one of them, yes.</p> <p>3 Q. Certainly one of them, yes?</p> <p>4 A. Yes.</p> <p>5 Q. If you would, sir, please turn to Bates</p> <p>6 No. 58. And on this slide, titled "Types of</p> <p>7 Internal Audits and Projects Conducted by the Audit</p> <p>8 Department," one of the four bullets is,</p> <p>9 "Compliance Audits (e.g. DEA audits and store</p> <p>10 audits)."</p> <p>11 Do you see that, sir?</p> <p>12 A. Yes.</p> <p>13 Q. And if you turn to page 60, the</p> <p>14 "Compliance Internal Audits."</p> <p>15 A. Yes.</p> <p>16 Q. "Audits that determine if something is</p> <p>17 being done at Walgreens in compliance with a</p> <p>18 standard set by management or a governmental</p> <p>19 law/regulation."</p> <p>20 Do you see that, sir?</p> <p>21 A. Yes.</p> <p>22 Q. And the very last bullet on that, on</p> <p>23 that slide, "Examples of compliance audits include</p> <p>24 distribution center inventory observations, store</p>

<p style="text-align: right;">Page 126</p> <p>1 audits," DEA or "Drug Enforcement Administration</p> <p>2 reviews at the DCs," or distribution centers, "and</p> <p>3 Sarbanes-Oxley audits."</p> <p>4 Correct, sir?</p> <p>5 A. Yes.</p> <p>6 Q. Sir, despite the professional standard</p> <p>7 that auditors remain independent and objective, you</p> <p>8 believed it was appropriate for your group to rely</p> <p>9 on Walgreens' internal interpretations of</p> <p>10 Section 1300 and the applicable statutes of</p> <p>11 Walgreens' responsibility as a distributor,</p> <p>12 correct, sir?</p> <p>13 A. Well, I believe those policies and</p> <p>14 procedures that were implemented were. Certainly</p> <p>15 they were internal to the company, but they weren't</p> <p>16 created necessarily by the organizations that were</p> <p>17 required to abide by those policies.</p> <p>18 So, I think they were -- they were</p> <p>19 independent with respect to the activity being</p> <p>20 performed. Perhaps not independent from an</p> <p>21 external perspective.</p> <p>22 Q. Not perhaps. Sir, your group did</p> <p>23 absolutely nothing to ensure objectively, outside</p> <p>24 of Walgreens, that the standards required by the</p>	<p style="text-align: right;">Page 128</p> <p>1 BY MR. MOUGEY:</p> <p>2 Q. Would it have been important for your</p> <p>3 audit group to confirm what the applicable regs and</p> <p>4 statutes were for Walgreens as a distributor when</p> <p>5 comparing its policies and procedures internally?</p> <p>6 A. Yeah, I guess it would be important to</p> <p>7 do that. I don't know whether we did or didn't do</p> <p>8 it. But I can understand why it would be perhaps</p> <p>9 an appropriate step.</p> <p>10 Q. Sir, please turn to slide -- I'm</p> <p>11 sorry -- Bates No. 75, titled "The Organizational</p> <p>12 Culture."</p> <p>13 Sir, your slide deck defines</p> <p>14 organizational culture as a "specific collection of</p> <p>15 values and norms that are shared by people and</p> <p>16 groups in an organization, and that control the way</p> <p>17 they interact with each other and with stakeholders</p> <p>18 outside the organization."</p> <p>19 Do you see that, sir?</p> <p>20 A. Yes, I do.</p> <p>21 Q. And it goes on in the second bullet to</p> <p>22 explain, "The culture includes the shared history,</p> <p>23 experiences, stories, beliefs, and attitudes that</p> <p>24 characterize an organization."</p>
<p style="text-align: right;">Page 127</p> <p>1 applicable regs and statutes of Walgreens as a</p> <p>2 distributor were captured in Walgreens' policies</p> <p>3 and procedures, correct?</p> <p>4 MR. HOUTZ: Object to form and foundation and</p> <p>5 it's been asked and answered.</p> <p>6 BY THE WITNESS:</p> <p>7 A. Sorry. Can you repeat the question?</p> <p>8 BY MR. MOUGEY:</p> <p>9 Q. Certainly. Your group, internal audit,</p> <p>10 did absolutely nothing to ensure objectively,</p> <p>11 outside of Walgreens, that the standards required</p> <p>12 by the applicable regs and statutes governing</p> <p>13 Walgreens as a distributor were accurately captured</p> <p>14 in Walgreens' policies and procedures, correct?</p> <p>15 MR. HOUTZ: Same objections.</p> <p>16 BY THE WITNESS:</p> <p>17 A. So, again, not having been a party to</p> <p>18 the conversations that happened, I don't know what</p> <p>19 all was covered in the discussions with those</p> <p>20 parties like legal and the distribution center</p> <p>21 management team, whether it was simply looking and</p> <p>22 discussing internal policies or whether they looked</p> <p>23 and reviewed other things. I just can't answer</p> <p>24 that.</p>	<p style="text-align: right;">Page 129</p> <p>1 Correct, sir?</p> <p>2 A. Yes.</p> <p>3 Q. The next slide down on Bates No. 75,</p> <p>4 "The organizational culture can strongly influence</p> <p>5 employee behavior (both good and bad), including a</p> <p>6 desire to maintain the status quo. People may be</p> <p>7 doing things because 'they have always been done</p> <p>8 this way.'"</p> <p>9 And the second bullet goes on, "Internal</p> <p>10 auditors must have the courage to be objective,</p> <p>11 creative and innovative, and challenge the status</p> <p>12 quo if necessary to encourage the strengthening of</p> <p>13 internal control in the organization to manage risk</p> <p>14 and improve the effectiveness of operations."</p> <p>15 Did I read that correctly, sir?</p> <p>16 A. Yes, you did.</p> <p>17 Q. And sitting here today, sir, you can't</p> <p>18 identify any direction you gave your directors to</p> <p>19 ensure that Walgreens' interpretations of the</p> <p>20 applicable regs and statutes governing Walgreens as</p> <p>21 a distributor were captured in Walgreens' policies</p> <p>22 and procedures, accurately captured in Walgreens'</p> <p>23 policies and procedures, correct?</p> <p>24 MR. HOUTZ: Object to form.</p>



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1 BY THE WITNESS:  
2 A. I can't recall that.  
3 BY MR. MOUGEY:  
4 Q. Sir, you believe that these -- this  
5 slide on Bates No. 75 challenging the status quo is  
6 an important function of an auditor's role,  
7 correct, sir?  
8 A. Yes.  
9 Q. You can't just say "We're doing this  
10 because it's the way we've always done it," right?  
11 A. That's correct.  
12 Q. You have to look at the documents. You  
13 have to look at the policies and procedures and  
14 say, "Is this the right way to do it?" Right?  
15 A. Correct.  
16 Q. And, sir, if you turn to Bates No. 77,  
17 the next page or two pages over, "Beware of  
18 Corporate Mythology or Folklore."  
19 Correct?  
20 A. Yes.  
21 Q. In all caps and bolded, correct?  
22 A. Yes.  
23 Q. "Walgreens employees may sincerely  
24 believe something to be true, and make business

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1 decisions based on their belief --- but they may be  
2 misinformed!"  
3 Correct?  
4 A. Yes.  
5 Q. Yet sitting here today you can't recall  
6 any direction you gave to make sure that the  
7 business decisions being followed by the  
8 distribution centers, based on their  
9 responsibilities under the applicable federal regs  
10 and statutes, were accurately being followed,  
11 correct?  
12 A. I'm sorry. Can you repeat the question?  
13 Q. Yes, sir. Sitting here today you can't  
14 recall giving any direction to make sure that the  
15 Walgreens business decisions being made by  
16 employees in the distribution centers were  
17 compliant with the applicable regs and  
18 responsibilities that govern Walgreens as a  
19 distributor, correct?  
20 A. I'm going to have to have you repeat it  
21 one more time because that's a lot of words.  
22 Q. You didn't tell anybody to go and check  
23 is the way that we've been doing this forever the  
24 right way?

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1 A. I think, again, it was communicated  
2 through a mechanism like this that people should  
3 consider those kinds of things. I don't -- if  
4 you're asking me specifically around the DCs and  
5 that area in which you referenced, I don't recall  
6 any.  
7 Q. Do you believe that the audits your  
8 group performed on the distribution centers in  
9 relation to Schedule II and Schedule III opiates  
10 were or filled an important compliance function  
11 within Walgreens?  
12 A. Yes.  
13 Q. And that being the eyes and ears of the  
14 Board of Directors, auditors' jobs are to identify  
15 specific areas of concern, correct?  
16 A. Correct.  
17 Q. And a company as large as Walgreens,  
18 there were dozens and dozens and dozens of areas  
19 for your groups to perform audits, correct?  
20 A. Correct.  
21 Q. And in many instances, those audits in  
22 those dozens and dozens and dozens of areas covered  
23 esoteric and complex issues, correct?  
24 A. Esoteric? I don't know. But, yeah,

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1 complex issues.  
2 Q. Now, to understand whether or not  
3 Walgreens' business conduct in its distribution  
4 centers were complying with applicable federal regs  
5 and statutes, you and your group would need to have  
6 an understanding of what those were, correct?  
7 MR. HOUTZ: Object to form.  
8 BY THE WITNESS:  
9 A. We would have to have an understanding  
10 of the requirements, yes. And I think our  
11 understanding of the requirements could have been  
12 based upon the company's policies and procedures  
13 coupled with, though, I think the important thing  
14 is coupled with having those discussions with the  
15 legal team and the distribution center management  
16 team.  
17 BY MR. MOUGEY:  
18 Q. And if you are clearly going to talk to  
19 the legal team and the distribution management  
20 team, your group, the internal auditors, are  
21 attempting to understand the generally applicable  
22 regs and statutes for Walgreens as a distributor  
23 for Schedule II and Schedule III opiates, correct?  
24 MR. HOUTZ: Object; form and foundation.

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1 BY THE WITNESS:  
2 A. Yes.  
3 BY MR. MOUGEY:  
4 Q. The internal audit that we just marked  
5 as Exhibit 3 has your name on it, right? Do you  
6 see that under "cc"?  
7 A. Yes.  
8 Q. And "From," there's a team of four  
9 people?  
10 A. Yes.  
11 Q. And "To" was the director of the Jupiter  
12 distribution center and vice president distribution  
13 centers and logistics.  
14 Do you see that?  
15 A. Yes.  
16 Q. And then the cc are several people, one  
17 of which is you, correct?  
18 A. Correct.  
19 Q. Now, generally, were the other folks  
20 identified on the cc, are those all people in the  
21 internal audit group?  
22 A. No, absolutely not. Actually, in the cc  
23 list.  
24 Q. Yes.

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1 A. Let me just make sure. I'm the only  
2 person in the internal audit function.  
3 Q. So, it's -- you have a team of four  
4 people from internal audit publishing this internal  
5 audit report to a number of people throughout  
6 Walgreens?  
7 A. Yes.  
8 Q. Now, was it your practice when you  
9 received one of these internal audit reports as  
10 indicated here by being copied on it, would you  
11 review it?  
12 A. Absolutely.  
13 Q. Would you have reviewed it prior to your  
14 group, let's say, publishing within Walgreens?  
15 A. Absolutely.  
16 Q. So, by the time this report was sent to  
17 you and you reviewed it as part of this e-mail, you  
18 would have at least seen it twice, correct?  
19 A. Sorry. Before what?  
20 Q. Let me do it this way: Would you see  
21 reiterations of internal audit reports such as the  
22 one in front of you prior to it being published?  
23 A. Yes.  
24 Q. Would you be updated by your director on

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1 the report as it progressed?  
2 A. Yes.  
3 Q. And if there were issues that they  
4 identified that was -- were areas of concern, would  
5 those be brought to your attention?  
6 A. Generally speaking, yes, absolutely.  
7 Q. And you would help give guidance or  
8 direction on how to address those areas of concern,  
9 correct?  
10 A. If -- yeah, if there were. Generally  
11 speaking, what we would talk about is -- so, if  
12 you -- if you think about, let's maybe look at  
13 anything in Attachment A, we would want to ensure  
14 that the recommendation we're making addresses the  
15 issue and that management's response addresses the  
16 concerns that we have. So, yes. I'd be involved  
17 in that process of review and discussion with the  
18 team.  
19 Q. I want you to continue keeping that  
20 open, and I'm going to hand you a couple of  
21 documents.  
22 It's 5 to 12:00. All right. So, I  
23 maybe have -- this next sequence is maybe 20  
24 minutes or so, 25 minutes. Would you -- is it okay

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1 if we do that now?  
2 A. Yes.  
3 Q. Or are you like dying, ready for a  
4 break?  
5 A. That's fine.  
6 Q. Okay. So, I will hand you what we have  
7 marked as Domzalski 5.  
8 (WHEREUPON, a certain document was  
9 marked as Walgreens-Domzalski  
10 Exhibit No. 5: U.S. Code Annotated  
11 Title 21, Sections 801, 812, 821,  
12 823.)  
13 BY MR. MOUGEY:  
14 Q. Sir, what I've put in front of you is  
15 Title 21 United States Code Section 801. What I  
16 want to direct your attention to -- let's start  
17 with the title, "Congressional findings and  
18 declarations; controlled substances."  
19 Do you see that, sir?  
20 A. Yes.  
21 Q. And, sir, you understand that Walgreens  
22 as a distributor had obligations under federal  
23 statutes?  
24 A. I'm sure I did at the time, yes.

<p style="text-align: right;">Page 138</p> <p>1 Q. Did you understand, sir, under  2 Section 2, "The illegal importation, manufacture,  3 distribution, and possession and improper use of  4 controlled substances have a substantial and  5 detrimental effect on the health and general  6 welfare of the American people."  7 Do you see that section, sir?  8 A. I do.  9 Q. Now, sir, as -- when you were at  10 Walgreens for a little over six years as chief  11 director of audit, did you have an understanding  12 that there was an opiate epidemic across the  13 country?  14 A. I don't honestly recall what I knew  15 specifically regarding the opiate. But I'm --  16 Q. I didn't -- go ahead.  17 A. Issue. I don't recall what I knew and  18 didn't know at the time.  19 Q. So, I didn't ask you anything  20 specifically like how many oxycodone Walgreens was  21 distributing in one of our Summit or Cuyahoga  22 Counties in Ohio.  23 What I simply asked is: Did you have a  24 general understanding during that six years that</p>	<p style="text-align: right;">Page 140</p> <p>1 don't know if I did or didn't. I didn't.  2 Q. And if you were concerned -- do you  3 understand what a conflict of interest is?  4 A. Yes.  5 Q. And what's your understanding of a  6 conflict of interest?  7 A. Where there might be an apparent  8 difference or disagreement between one party and  9 another based upon a relationship or...  10 Q. Did -- so, if you went to the Audit  11 Committee as the chief director of internal audit  12 and asked for an independent and objective analysis  13 of what Walgreens' responsibilities were as a  14 distributor, you could have had the ability to hire  15 outside counsel?  16 MR. HOUTZ: Object to form, foundation,  17 speculation.  18 BY THE WITNESS:  19 A. I certainly could have asked the  20 question of our Audit Committee or, you know, yes,  21 absolutely.  22 BY MR. MOUGEY:  23 Q. I take it you never did?  24 A. No. Not to my recollection, no. But</p>
<p style="text-align: right;">Page 139</p> <p>1 there was an opiate epidemic in the U.S.?  2 A. My guess is at some point during that  3 tenure I did.  4 Q. But you don't have any --  5 A. I can't point to it.  6 Q. Sorry. You don't have any independent  7 recollection of information that your group  8 received or gathered about the opiate epidemic in  9 the U.S.?  10 A. No specific recollection, no.  11 Q. You don't recall that there was any  12 sense of urgency prior to 2013 wherein your group  13 was asked to review distribution centers because of  14 the opiate epidemic?  15 MR. HOUTZ: Object to form and foundation.  16 BY THE WITNESS:  17 A. Can you repeat the question? I'm not  18 sure I know the question.  19 BY MR. MOUGEY:  20 Q. Did you have the authority to hire  21 outside legal counsel?  22 A. I know that certainly the Audit  23 Committee had that authority. I guess if -- I  24 probably never went through that process, so I</p>	<p style="text-align: right;">Page 141</p> <p>1 I -- I think I would remember that.  2 Q. Sir, did you have an understanding  3 during your tenure at Walgreens under 2 that the  4 illegal distribution and improper use of controlled  5 substances had a detrimental effect on the health  6 and general welfare of the American people?  7 A. All I can say I may have.  8 Q. All right. I hand you what I've marked  9 as Domzalski 6.  10 (WHEREUPON, a certain document was  11 marked as Walgreens-Domzalski  12 Exhibit No. 6: U.S. Code Annotated  13 Title 21 C.F.R. Section 1301.74.)  14 BY MR. MOUGEY:  15 Q. This is Section 1301.74 is one of the  16 applicable regs to Walgreens as a distributor.  17 Okay, sir?  18 A. Yes.  19 Q. Now, we have been reviewing document  20 after document this morning referencing regulations  21 and statutes, and Section 1301.74 applies to  22 Walgreens as a distributor. All right, sir?  23 MR. HOUTZ: Is that a question or is that a  24 statement?</p>

<p style="text-align: right;">Page 142</p> <p>1 BY MR. MOUGEY:</p> <p>2 Q. So, sir, if you'd go to Section B,</p> <p>3 "The registrant shall design and operate a system</p> <p>4 to disclose to the registrant suspicious orders of</p> <p>5 controlled substances."</p> <p>6 Did I read that first sentence right?</p> <p>7 A. Yes.</p> <p>8 Q. Were you aware during your tenure at</p> <p>9 Walgreens that Walgreens was obligated to design</p> <p>10 and operate a system to disclose to the registrant</p> <p>11 suspicious orders of controlled substances?</p> <p>12 A. I may have been aware. I don't -- I</p> <p>13 don't have specific recollection of it.</p> <p>14 Q. Now, the internal audit report I have in</p> <p>15 front of you marked as Domzalski 4, do you believe</p> <p>16 the scope --</p> <p>17 A. Sorry. 4?</p> <p>18 Q. Yes, sir.</p> <p>19 A. 3? 4 is the --</p> <p>20 Q. I apologize. You're right. It's 3,</p> <p>21 thank you. Mr. Domzalski, it's 3.</p> <p>22 A. Okay.</p> <p>23 Q. The internal audit report as 3, Bates</p> <p>24 No. 1767, WAGFLDEA, dated November 19, 2010, do you</p>	<p style="text-align: right;">Page 144</p> <p>1 "In our opinion, internal controls that ensure</p> <p>2 compliance with DEA regulations at the Jupiter</p> <p>3 Distribution Center are operating effectively."</p> <p>4 Do you see that, sir?</p> <p>5 A. I see those words, yeah.</p> <p>6 Q. But you don't know by looking at this</p> <p>7 document whether or not the scope of this audit</p> <p>8 covered Walgreens' obligation to operate a system</p> <p>9 to disclose to it suspicious orders of controlled</p> <p>10 substances?</p> <p>11 A. I certainly don't have specific</p> <p>12 recollection of -- of that, no.</p> <p>13 Q. And you don't see a reference in this</p> <p>14 audit report, a reference anywhere that would tell</p> <p>15 you whether or not it encompasses Walgreens'</p> <p>16 obligation to design and operate a system to</p> <p>17 disclose to the registrant suspicious orders of</p> <p>18 controlled substances?</p> <p>19 A. Let me just -- can I?</p> <p>20 Q. Of course.</p> <p>21 A. I'm looking through Attachment A.</p> <p>22 No, I don't see any specific reference</p> <p>23 in the issues identified, the summary of findings.</p> <p>24 I'm sorry. I don't -- I don't -- to be honest with</p>
<p style="text-align: right;">Page 143</p> <p>1 have an understanding of whether or not the scope</p> <p>2 of this audit included a system designed and</p> <p>3 operated by Walgreens to disclose to it suspicious</p> <p>4 orders of controlled substances?</p> <p>5 MR. HOUTZ: Object to form.</p> <p>6 BY THE WITNESS:</p> <p>7 A. I don't specifically know the answer to</p> <p>8 that question.</p> <p>9 BY MR. MOUGEY:</p> <p>10 Q. You don't know?</p> <p>11 A. No.</p> <p>12 Q. So, you're copied on this audit,</p> <p>13 correct?</p> <p>14 A. Um-hmm.</p> <p>15 Q. You were part of the audit as part of</p> <p>16 the drafting process, correct?</p> <p>17 A. Correct.</p> <p>18 Q. You were part of the approval process</p> <p>19 before this audit is drafted, correct?</p> <p>20 A. Correct.</p> <p>21 Q. You reviewed the audit when it was</p> <p>22 published, correct?</p> <p>23 A. Correct.</p> <p>24 Q. And you can see in the "Conclusion" that</p>	<p style="text-align: right;">Page 145</p> <p>1 you, on page 4 of that Attachment A, there is a</p> <p>2 reference to an automation of reports and</p> <p>3 consolidated order system, but clearly no direct</p> <p>4 correlation. I don't know if there is or isn't a</p> <p>5 direct correlation.</p> <p>6 I would say that, again, the attachment</p> <p>7 would identify areas of, if we found issues, they</p> <p>8 would be identified in those -- here, if we didn't</p> <p>9 find issues, they may not be identified.</p> <p>10 Q. But finding issues is kind of important</p> <p>11 to understand the scope of the audit, right?</p> <p>12 MR. HOUTZ: Object to form.</p> <p>13 BY THE WITNESS:</p> <p>14 A. No, no.</p> <p>15 BY MR. MOUGEY:</p> <p>16 Q. No, it's not. It's not important to</p> <p>17 understand the scope of the audit?</p> <p>18 A. That's not what you said. You said</p> <p>19 finding issues is not -- what were your words?</p> <p>20 Q. I said finding issues, is it not</p> <p>21 important to understand the scope of the audit?</p> <p>22 MR. HOUTZ: Object to form.</p> <p>23 BY THE WITNESS:</p> <p>24 A. I'm not sure if you're -- yeah, I think</p>

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1 I'm confused by your words. The issues we found  
2 didn't influence the scope.  
3 BY MR. MOUGEY:  
4 Q. Let's go ahead and do it again for you,  
5 if you're confused.  
6 A. Yeah.  
7 Q. So, understanding the scope of the audit  
8 is important, correct?  
9 A. Yes.  
10 Q. You see on the report, the scope, "The  
11 review focused on the internal controls."  
12 It's on the second page. Follow along  
13 with me.  
14 "The review focused on the internal  
15 controls established by Walgreens DCs to ensure  
16 compliance with DEA regulation Section 1300 found  
17 in Title 21 of the Federal Code of Regulations."  
18 Do you see that, sir?  
19 A. I do.  
20 Q. Now, let's go back to Domzalski 6 and do  
21 you see, sir, the cite 21 CFR Section 1301.  
22 A. I've gotten 5 and a 7. Oh, I'm sorry.  
23 I'm looking -- which color of the -- orange or  
24 white? They seem to be different. I'm sorry.

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1 White? All right. Sorry.  
2 Q. The orange. The orange sticker. Nope.  
3 Am I wrong? White sticker.  
4 A. I've got it now. Sorry.  
5 Q. That's okay. It's confusing.  
6 So, you got 6.  
7 A. Yes.  
8 Q. It says 1301.74. Do you see that, sir?  
9 A. Yes. Yes, I do.  
10 Q. You see in the scope of the audit, "to  
11 ensure compliance with DEA regulation 1300"?  
12 A. Correct.  
13 Q. Okay. But sitting here, you don't know  
14 what reg or all regs in Section 1300 was the scope  
15 of the audit. Do you?  
16 A. No, I do not.  
17 Q. And I don't see anything in specificity  
18 in the next sentence, which, "To substantiate  
19 compliance with Section 1300, we conducted  
20 interviews with DC management, documented the  
21 movement of controlled drugs from the receiving  
22 dock to the shipping dock, and used an audit  
23 testing program that encompasses Section 1300  
24 requirements."

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1 Do you see that, sir?  
2 A. I do.  
3 Q. Does that help you?  
4 A. I don't know the specifics behind the  
5 last sentence, last part of the sentence and  
6 what -- I can't tell you from reading this what  
7 specific areas were related to 1300.  
8 Q. Me either.  
9 (Clarification requested by the  
10 reporter.)  
11 THE WITNESS: Were related to Section 1300.  
12 Sorry.  
13 BY MR. MOUGEY:  
14 Q. Me either. So, as you read the scope,  
15 where would you go to better understand what  
16 exactly the scope was?  
17 A. You would have to go into the work  
18 papers to understand.  
19 Q. The work papers may or may not give us a  
20 little bit better understanding of what's included  
21 in Section 1300?  
22 A. Yeah. It would -- yeah, I would think  
23 they would.  
24 Q. Let's go on, back to the Domzalski 6,

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1 21 CFR 1301.74.  
2 Do you see that, sir?  
3 A. Yes.  
4 Q. Second sentence says of Section (b),  
5 "The registrant shall inform the Field Division  
6 Office of the Administration in his area of  
7 suspicious orders when discovered by the  
8 registrant."  
9 Do you see that, sir?  
10 A. Yes.  
11 Q. Now, if we look back at the scope, would  
12 you have an understanding of whether or not your  
13 group audited whether or not Walgreens was  
14 informing the field division office of the  
15 administration of orders that were suspicious?  
16 A. I can't tell that from the words that  
17 are in the report, no.  
18 Q. Let's read the third sentence.  
19 "Suspicious orders include orders of  
20 unusual size, orders deviating substantially from a  
21 normal pattern, and orders of unusual frequency."  
22 Did I read that right?  
23 A. Yes.  
24 Q. Can you tell from the scope on



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1 Domzalski 3 whether or not your group looked at  
2 Walgreens' system to identify suspicious orders for  
3 size, frequency or that deviated from a normal  
4 pattern?  
5 A. No, you can't tell from reading the  
6 scope.  
7 Q. I hand you what we're going to mark as  
8 Domzalski 7.  
9 (WHEREUPON, a certain document was  
10 marked as Walgreens-Domzalski  
11 Exhibit No. 7: 9/27/06 letter from  
12 U.S. DOJ DEA; MCKMDL00478906 -  
13 00478909.)  
14 BY MR. MOUGEY:  
15 Q. Now, this is a letter from the U.S.  
16 Department of Justice, Drug Enforcement  
17 Administration dated September 27, 2006.  
18 Do you see that, sir?  
19 A. Yes, I do.  
20 Q. And, sir, in the very first line it  
21 says, "This letter is being sent to every  
22 commercial entity in the United States registered  
23 with the Drug Enforcement Administration to  
24 distribute controlled substances."

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1 Do you see that, sir?  
2 A. Yes.  
3 Q. And, sir, do you have an understanding  
4 whether or not that would include Walgreens?  
5 A. Yes. I would assume it included  
6 Walgreens.  
7 Q. Now, do you recall seeing this letter or  
8 something similar from the DEA to Walgreens about  
9 Walgreens' responsibilities as a distributor?  
10 A. No, I did not see this letter prior to  
11 this week.  
12 Q. Did you see this letter in preparation  
13 for today?  
14 A. Just -- yes.  
15 Q. Make sure we're clear. Not just when I  
16 put it front of you, but in preparation for your  
17 deposition today you saw this document?  
18 A. Yes.  
19 Q. So, let's go through this, if we could.  
20 It says, "The purpose of this letter is  
21 to reiterate the responsibilities of controlled  
22 substance distributors in view of the prescription  
23 drug abuse problem our nation currently faces."  
24 Do you see that, sir?

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1 A. Yes, I do.  
2 Q. So, sir, do you have an understanding  
3 that -- strike that. Let's just go through it.  
4 Under "Background," "As each of you is  
5 undoubtedly aware, the abuse (non-medical use) of  
6 controlled prescription drugs is a serious and  
7 growing health problem in this country."  
8 Do you see that, sir?  
9 A. Yes.  
10 Q. I'm going to skip to the next paragraph.  
11 It says, "The CSA," stands for Controlled Substance  
12 Act, "was designed by Congress to combat diversion  
13 by providing for a closed system of drug  
14 distribution."  
15 Let me stop there.  
16 Do you have an understanding from your  
17 six plus years at Walgreens as chief director of  
18 internal audit of what a closed system of drug  
19 distribution is?  
20 A. No. Honestly I don't have a  
21 recollection of what that would be.  
22 Q. The sentence goes on, "In which all  
23 legitimate handlers of controlled substances must  
24 obtain a DEA registration and, as a condition of

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1 maintaining such registration, must take reasonable  
2 steps to ensure that their registration is not  
3 being utilized as a source of diversion."  
4 Do you see that, sir?  
5 A. Yes.  
6 Q. "Distributors are, of course, one of the  
7 key components of the distributor chain. If the  
8 closed system is to function properly as Congress  
9 envisioned, distributors must be vigilant in  
10 deciding whether a prospective customer can be  
11 trusted to deliver controlled substances only for  
12 lawful purposes."  
13 Okay, sir? Did I read that right?  
14 A. Yes.  
15 Q. Now, let's -- the first -- the last few  
16 sentences of that paragraph that begins with, "The  
17 CSA," do you have an understanding of whether or  
18 not your group's audit included in its scope  
19 reviewing the system designed by Walgreens to  
20 fulfill its responsibility to be vigilant when  
21 reviewing prospective customers?  
22 MR. HOUTZ: Object to form. Object to  
23 foundation.  
24 BY THE WITNESS:

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1 A. No, I don't have a recollection of -- of  
2 that.  
3 BY MR. MOUGEY:  
4 Q. The DEA goes on, it says, "This  
5 responsibility is critical, as Congress has  
6 expressly declared that the illegal distribution of  
7 controlled substances has a substantial and  
8 detrimental effect on the health and general  
9 welfare of the American people."  
10 Do you see that, sir?  
11 A. Yes, I do.  
12 Q. Now, sir, just on what we've read so  
13 far, would you have expected Walgreens in its  
14 policies and procedures to have taken the  
15 information relayed to it by the DEA and  
16 incorporate it in the day-to-day operations of its  
17 distribution centers?  
18 MR. HOUTZ: Object to form.  
19 BY THE WITNESS:  
20 A. Yeah, I would expect that they would  
21 take anything they receive from the DEA seriously.  
22 BY MR. MOUGEY:  
23 Q. And not just take it seriously, but take  
24 it seriously --

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1 A. And react to it.  
2 Q. -- and then take their policy and  
3 procedure manuals and incorporate that direction  
4 from the DEA into its day-to-day manuals, correct?  
5 A. My assumption would be that they would  
6 react to it.  
7 Q. And I understand. We have said it's  
8 important and we've said that it's reacting to it,  
9 but what I asked was a little bit different.  
10 What I asked was: They would take the  
11 direction from the DEA and make sure that that  
12 information was included in its policies and  
13 procedures, correct?  
14 MR. HOUTZ: Object to form.  
15 BY THE WITNESS:  
16 A. Yes, I would expect that.  
17 BY MR. MOUGEY:  
18 Q. So, the fact that you expected that,  
19 your group was relying on the policies and  
20 procedures that Walgreens had in the context of  
21 Walgreens' responsibility as a distributor for  
22 Schedule II and Schedule III when performing your  
23 audit, correct?  
24 A. Yes.

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1 MR. HOUTZ: Object to form.  
2 THE WITNESS: I'm sorry.  
3 BY THE WITNESS:  
4 A. Yes, and, again, I would say the  
5 combination of the policy along with those  
6 discussions with legal and with the management  
7 team.  
8 BY MR. MOUGEY:  
9 Q. Sir, if you turn the page, and you see  
10 in the middle the cite to 21 CFR 1301.74. It's the  
11 same section we just read.  
12 Do you see that, sir?  
13 A. Sorry. Where at?  
14 Q. In the middle of the page, the block  
15 quote.  
16 A. Yes, yes.  
17 Q. It's the same section of the federal  
18 regs that we just reviewed together, right?  
19 A. Yes.  
20 Q. Do you see the sentence that, "It bears  
21 emphasis that the foregoing reporting requirement  
22 is in addition to, and not in lieu of, the general  
23 requirement under 21 U.S.C. Section 823(e)."  
24 Do you see that, sir?

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1 A. Yes.  
2 Q. The next paragraph, "Thus, in addition  
3 to reporting all suspicious orders, a distributor  
4 has a statutory responsibility to exercise due  
5 diligence to avoid filling suspicious orders."  
6 Do you see that, sir?  
7 A. Yes.  
8 Q. All right. Now, let's stop for a  
9 second.  
10 Do you have an understanding, just  
11 generally, of what due diligence means?  
12 A. Generally, yes.  
13 Q. What is your understanding generally of  
14 what due diligence means?  
15 A. Take actions to ensure, perform some  
16 kind of review or evaluation.  
17 Q. Let's take it in the context of the  
18 internal audit group, your group. Okay.  
19 Your group's due diligence would mean  
20 explaining what you've told me today, that when  
21 understanding Walgreens' responsibilities as a  
22 distributor, you met with distribution center  
23 management, correct?  
24 A. Partially, yep.

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1 Q. And you also met with regulatory and  
 2 legal, correct?  
 3 A. We did.  
 4 Q. You also looked at Walgreens' policies  
 5 and procedure manuals, correct?  
 6 A. Correct.  
 7 Q. You also performed or interviewed  
 8 employees at Walgreens, correct?  
 9 A. Correct.  
 10 Q. And I'm assuming that your group would  
 11 typically also look at some documentation from  
 12 Walgreens, correct?  
 13 A. Correct.  
 14 Q. That's -- that could be referred to as  
 15 internal audit performing due diligence, correct,  
 16 sir?  
 17 A. Yes.  
 18 Q. Yes. So, in the context here, due  
 19 diligence wouldn't be a foreign concept in that  
 20 Walgreens as a distributor has a statutory  
 21 responsibility to exercise due diligence to avoid  
 22 filling suspicious orders, right?  
 23 A. Say that again.  
 24 Q. That you understand the context of due

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1 diligence in this sentence that Walgreens has a  
 2 statutory responsibility before it fills suspicious  
 3 orders to exercise due diligence, correct?  
 4 A. Yes.  
 5 Q. Now, let's go back to Domzalski 3. Can  
 6 you tell me in the scope of this internal audit  
 7 whether or not your group looked to determine  
 8 whether or not Walgreens fulfilled its statutory  
 9 responsibility to exercise due diligence before  
 10 filling suspicious orders?  
 11 A. I can't tell you from the words that are  
 12 in the audit report, no.  
 13 Q. I will hand you what we'll mark as --  
 14 MR. HOUTZ: Chris, do you want to do the lunch  
 15 break?  
 16 THE WITNESS: No, let's finish.  
 17 BY MR. MOUGEY:  
 18 Q. I have two more quick documents. I  
 19 think I told you I should be 20, 25 minutes. It  
 20 should be close. Okay? Is that okay?  
 21 A. Yes.  
 22 Q. Okay. Thank you.  
 23 MR. MOUGEY: I hand you what we are going to  
 24 mark as Domzalski 8.

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1 (WHEREUPON, a certain document was  
 2 marked as Walgreens-Domzalski  
 3 Exhibit No. 8: 2/7/07 letter from  
 4 U.S. DOJ DEA; ABDCMDL00269687 -  
 5 0026960.)  
 6 BY MR. MOUGEY:  
 7 Q. What I want you to do is just --  
 8 (Clarification requested by the  
 9 reporter.)  
 10 MR. MOUGEY: I'm sorry.  
 11 MS. SCHUCHARDT: Counsel, this appears to be  
 12 an AmerisourceBergen document that's confidential.  
 13 I have not been apprised that we have given  
 14 authority to show it to a Walgreens employee.  
 15 MR. MOUGEY: I have used this document in  
 16 about ten depositions at this point. It's a  
 17 general form letter sent to every single registrant  
 18 in the United States, and it's the -- it says right  
 19 on the first sentence, "This letter is being sent  
 20 to every commercial entity in the United States  
 21 registered with the Drug Enforcement Agency to  
 22 distribute controlled substances."  
 23 MS. SCHUCHARDT: Be that as it may, I have an  
 24 obligation to request if we can give permission.

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1 Can you use another document in the meantime?  
 2 MR. MOUGEY: I don't have access to another  
 3 document. Would it be okay with you if you  
 4 didn't waive any of your objections and if there is  
 5 any problem with us, that you have kept all your  
 6 rights under whatever the privilege or protective  
 7 order is, that we are not waiving anything by  
 8 letting us use this today?  
 9 MS. SCHUCHARDT: Go ahead.  
 10 MR. MOUGEY: Thank you.  
 11 THE WITNESS: So, can I just -- I have two --  
 12 MS. SIBISKI: Counsel, can I have the Bates  
 13 number for Exhibit 7 and Exhibit 8.  
 14 MR. MOUGEY: Sure. It's ABDCMDL269687. It's  
 15 the February 7, 2007 letter that went to every  
 16 distributor in the country.  
 17 MS. SIBISKI: Okay. And I also need 7,  
 18 please.  
 19 MR. MOUGEY: MCKMDL00478906.  
 20 MS. SIBISKI: Thank you.  
 21 MR. MOUGEY: Certainly.  
 22 BY MR. MOUGEY:  
 23 Q. What I want you to just do quickly and  
 24 see if we can do this without going through each

<p style="text-align: right;">Page 162</p> <p>1 paragraph.</p> <p>2 Would you just compare. Generally</p> <p>3 Exhibits 7 and 8 appear to be very similar or</p> <p>4 almost identical.</p> <p>5 A. Yes, they appear to be -- from what I</p> <p>6 can tell, yeah, they look pretty similar.</p> <p>7 Q. Again, I know you didn't have time to</p> <p>8 review every single word but they're very similar,</p> <p>9 correct?</p> <p>10 A. They look similar.</p> <p>11 Q. So, now, sir, as part of or chief</p> <p>12 director of internal audit at Walgreens, do you</p> <p>13 recall seeing this February 7, 2007 letter as part</p> <p>14 of the -- your group's internal audit of the</p> <p>15 distribution centers?</p> <p>16 A. I don't recall seeing this document.</p> <p>17 Q. Just to make sure I'm not missing</p> <p>18 something, you don't recall in the last two</p> <p>19 exhibits, 7 and 8, seeing any synopsis or bullets</p> <p>20 or anything that captures the content in Exhibits 7</p> <p>21 or 8 when performing the audit, correct?</p> <p>22 A. I certainly don't recall that, no.</p> <p>23 Q. All right. Let me hand you what I will</p> <p>24 mark as Domzalski 9.</p>	<p style="text-align: right;">Page 164</p> <p>1 Q. So, all within a matter of approximately</p> <p>2 14 months, 15 months?</p> <p>3 A. Yes.</p> <p>4 Q. And, again, the second sentence of 9,</p> <p>5 Exhibit 9, says, "The purpose of this letter is to</p> <p>6 reiterate the responsibilities of controlled</p> <p>7 substance manufacturers and distributors to inform</p> <p>8 DEA of suspicious orders in accordance with 21</p> <p>9 CFR."</p> <p>10 Correct?</p> <p>11 A. I'm sorry. I lost you on that. Where</p> <p>12 are you at?</p> <p>13 Q. The second sentence of the first</p> <p>14 paragraph.</p> <p>15 A. First paragraph. Okay.</p> <p>16 Q. "The purpose of this letter is to</p> <p>17 reiterate the responsibilities of controlled</p> <p>18 substance manufacturers and distributors to inform</p> <p>19 DEA of suspicious orders in accordance with 21 CFR</p> <p>20 1301.74(b)."</p> <p>21 Correct?</p> <p>22 A. Yes.</p> <p>23 Q. Now, just to quickly look over --</p> <p>24 quickly review this document.</p>
<p style="text-align: right;">Page 163</p> <p>1 (WHEREUPON, a certain document was</p> <p>2 marked as Walgreens-Domzalski</p> <p>3 Exhibit No. 9: 12/27/07 letter</p> <p>4 from U.S. DOJ DEA; MCKMDL00478910 -</p> <p>5 00478911.)</p> <p>6 BY MR. MOUGEY:</p> <p>7 Q. Do you see the date on this, sir,</p> <p>8 December 27, 2007?</p> <p>9 A. Yes, I do.</p> <p>10 Q. And we've now -- the first sentence,</p> <p>11 "This letter is being sent to every entity in the</p> <p>12 United States registered with the Drug Enforcement</p> <p>13 Administration to manufacture or distribute</p> <p>14 controlled substances."</p> <p>15 Correct?</p> <p>16 A. Yes.</p> <p>17 Q. And your understanding is, again, that</p> <p>18 would include Walgreens?</p> <p>19 A. Yes.</p> <p>20 Q. So, we've now seen correspondence from</p> <p>21 the U.S. Department of Justice DEA from</p> <p>22 September 27, 2006, February 7, 2007 and then a</p> <p>23 third letter, December 27, 2007, correct, sir?</p> <p>24 A. Yes.</p>	<p style="text-align: right;">Page 165</p> <p>1 The second paragraph, do you see the</p> <p>2 second sentence indicates that DEA regs require all</p> <p>3 distributors to report suspicious orders of</p> <p>4 controlled substances, right?</p> <p>5 A. Yes.</p> <p>6 Q. And I'm assuming the answer to this next</p> <p>7 question is the same as before, that you can't</p> <p>8 discern from the internal audit report whether your</p> <p>9 group's audit covered Walgreens' responsibility to</p> <p>10 identify suspicious orders, right?</p> <p>11 A. No, I cannot recall that.</p> <p>12 Q. And --</p> <p>13 A. Cannot identify it from the report.</p> <p>14 Q. You'll see here -- let's go down to the</p> <p>15 third paragraph.</p> <p>16 A. Yes.</p> <p>17 Q. "The regulation also requires the</p> <p>18 registrant inform the local DEA Division Office of</p> <p>19 suspicious orders when discovered by the</p> <p>20 registrant."</p> <p>21 Sir, is it safe to conclude that you</p> <p>22 can't tell from looking at this internal audit,</p> <p>23 meaning Exhibit 3, whether or not the excessive</p> <p>24 purchase reports or suspicious order reports were</p>

<p style="text-align: right;">Page 166</p> <p>1 sent when discovered by Walgreens?</p> <p>2 A. No, you can't tell.</p> <p>3 Q. And, sir, the next sentence, "Filing a</p> <p>4 monthly report of completed transactions</p> <p>5 ('excessive purchase report' or 'high unit</p> <p>6 purchases') does not meet the regulatory</p> <p>7 requirement to suspicious orders."</p> <p>8 There was no -- you can't tell whether</p> <p>9 or not your group, the internal audit report,</p> <p>10 analyzed whether or not Walgreens was fulfilling</p> <p>11 its obligations with the type of reporting it was</p> <p>12 providing to the DEA?</p> <p>13 A. No, I can't tell that.</p> <p>14 Q. Sir, if you skip a sentence, the next</p> <p>15 sentence says, "Registrants must conduct an</p> <p>16 independent analysis."</p> <p>17 Do you see where I am?</p> <p>18 A. Yes, I do.</p> <p>19 Q. "Registrants must conduct an independent</p> <p>20 analysis of suspicious orders prior to completing a</p> <p>21 sale to determine whether the controlled substances</p> <p>22 are likely to be diverted from legitimate</p> <p>23 channels."</p> <p>24 Did I read that right?</p>	<p style="text-align: right;">Page 168</p> <p>1 calls such reports 'suspicious order reports.'"</p> <p>2 Is it safe to conclude, sir, that the</p> <p>3 audit as Exhibit 3, we don't know whether or not</p> <p>4 your group determined whether the reports were</p> <p>5 daily, weekly or monthly, correct?</p> <p>6 A. Correct. You can't tell from the words.</p> <p>7 Q. Sir, the directors that worked, the five</p> <p>8 directors that worked for you.</p> <p>9 A. Yes.</p> <p>10 Q. Just on average, what were their annual</p> <p>11 salaries?</p> <p>12 A. Maybe in the \$150,000 range.</p> <p>13 Q. 150?</p> <p>14 A. Base salary.</p> <p>15 Q. 150,000 range. I'm assuming yours was</p> <p>16 more than 150?</p> <p>17 A. Yes.</p> <p>18 Q. In between 2 and 300?</p> <p>19 A. Probably closer to 2. 200,000.</p> <p>20 Q. Closer to 2. So, the five directors</p> <p>21 that you had performing these audit reports,</p> <p>22 Walgreens believed in enough, with their expertise</p> <p>23 and sophistication, that they would make about 150</p> <p>24 grand, correct?</p>
<p style="text-align: right;">Page 167</p> <p>1 A. Yes, you did.</p> <p>2 Q. And you can't tell looking at the scope</p> <p>3 of the audit in Exhibit 3 whether or not your group</p> <p>4 determined whether or not Walgreens was conducting</p> <p>5 an independent analysis of suspicious orders prior</p> <p>6 to completing the sale, correct, sir?</p> <p>7 A. No, I cannot tell that.</p> <p>8 Q. If you turn to the second page, sir, the</p> <p>9 back of it. The sentence that begins with</p> <p>10 "Registrants that rely on rigid formulas to define</p> <p>11 whether an order is suspicious may be failing to</p> <p>12 detect suspicious orders."</p> <p>13 Do you see that, sir?</p> <p>14 A. Yes, I do.</p> <p>15 Q. Sir, is it safe to conclude that we</p> <p>16 can't tell from the scope of the internal audit</p> <p>17 report whether or not Walgreens was using a rigid</p> <p>18 formula to identify suspicious orders?</p> <p>19 A. That's correct. You can't tell.</p> <p>20 Q. And if you go to the next paragraph, the</p> <p>21 second sentence, "Daily, weekly, or monthly reports</p> <p>22 submitted by a registrant indicating 'excessive</p> <p>23 purchases' do not comply with the requirement to</p> <p>24 report suspicious orders, even if the registrant</p>	<p style="text-align: right;">Page 169</p> <p>1 A. Can you repeat the question? I don't</p> <p>2 know if I understood it.</p> <p>3 MR. MOUGEY: I will tell you what. Let's stop</p> <p>4 there for lunch, if that's all right.</p> <p>5 THE VIDEOGRAPHER: We are off the record at</p> <p>6 12:32 p.m.</p> <p>7 (WHEREUPON, a recess was had</p> <p>8 from 12:32 to 1:20 p.m.)</p> <p>9 THE VIDEOGRAPHER: We are back on the record</p> <p>10 at 1:20 p.m.</p> <p>11 BY MR. MOUGEY:</p> <p>12 Q. Mr. Domzalski, are there -- is there a</p> <p>13 shared drive at Walgreens that during your tenure</p> <p>14 that has a list of all of the different audits that</p> <p>15 were performed?</p> <p>16 A. I don't know if it has a list. I</p> <p>17 think -- I think it has probably some folder</p> <p>18 mechanism that would capture individual audits</p> <p>19 performed, and I don't recall if it's by year or by</p> <p>20 area. I don't remember what the structure of the</p> <p>21 shared drives would be in.</p> <p>22 Q. But it's your recollection, irrespective</p> <p>23 of the shared drive, that Walgreens has a mechanism</p> <p>24 to capture what audits were performed and what</p>



<p style="text-align: right;">Page 170</p> <p>1 department?</p> <p>2 A. Yes, absolutely.</p> <p>3 Q. All right. Do you have an independent</p> <p>4 recollection of, during your tenure, how many</p> <p>5 audits were performed on the distribution centers</p> <p>6 in relation to the Controlled Substance Act</p> <p>7 Schedule II, Schedule III opiates?</p> <p>8 A. No, I don't.</p> <p>9 Q. Let's broaden that out.</p> <p>10 Do you have any recollection sitting</p> <p>11 here how many audits were performed on the</p> <p>12 distribution centers generally?</p> <p>13 A. No, I do not.</p> <p>14 Q. Do you have an understanding of the</p> <p>15 frequency of how often audits were to be performed</p> <p>16 on distribution centers?</p> <p>17 A. Not specifically. I would, again, best</p> <p>18 recollection would be that we would have had them</p> <p>19 on some kind of rotational basis, but I don't</p> <p>20 honestly recall what that rotational basis would</p> <p>21 have been.</p> <p>22 Q. Do you have -- I'm sorry.</p> <p>23 Do you have a recollection of just a</p> <p>24 typical frequency?</p>	<p style="text-align: right;">Page 172</p> <p>1 Q. It's dated July 17, 2012, and if you</p> <p>2 see -- you know how sometimes you have PowerPoint</p> <p>3 and you have talking points below?</p> <p>4 A. Yes.</p> <p>5 Q. That's what this appears to be, right?</p> <p>6 A. Yes.</p> <p>7 Q. All right. Have you seen this before,</p> <p>8 just the first -- do you recall?</p> <p>9 A. No, I don't recall seeing this.</p> <p>10 Q. So, you'll see the notes that it -- "We</p> <p>11 want to work with you. We want to cooperate and</p> <p>12 avoid litigation." It appears to be communication</p> <p>13 between Walgreens and some regulator.</p> <p>14 So, where I want to direct your</p> <p>15 attention is Bates No. 19. On Bates No. 19, under</p> <p>16 the "Audit program." Do you see that?</p> <p>17 A. Yes.</p> <p>18 Q. All right. Now, do you see that the</p> <p>19 first entrants under "Audit program" is</p> <p>20 "Mini-audits"?</p> <p>21 A. Yes.</p> <p>22 Q. And as you testified earlier,</p> <p>23 "Distribution center conduct mini-audits in order</p> <p>24 to ensure that the handling of Schedule II to V</p>
<p style="text-align: right;">Page 171</p> <p>1 A. No, I don't, especially in the broader</p> <p>2 picture of the audits, a lot of the audits we were</p> <p>3 doing, they may have been first-time audits of that</p> <p>4 specific -- of a specific area. So, it wasn't like</p> <p>5 all audits were subject to a rotational basis, but</p> <p>6 I think the -- my expectation would have been that</p> <p>7 the DC audits would have been on some more formal</p> <p>8 rotational basis.</p> <p>9 Q. I'm going to hand you what we're going</p> <p>10 to mark as Domzalski 10.</p> <p>11 (WHEREUPON, a certain document was</p> <p>12 marked as Walgreens-Domzalski</p> <p>13 Exhibit No. 10: PowerPoint,</p> <p>14 "Walgreen Co. Controlled Substance</p> <p>15 Anti-Diversion and Compliance</p> <p>16 Program"; WAGMDL0000659801 -</p> <p>17 00659856.)</p> <p>18 BY MR. MOUGEY:</p> <p>19 Q. And it's WAGMDL659803. This appears to</p> <p>20 be a PowerPoint. First page is titled "Walgreen</p> <p>21 Company Controlled Substance Anti-Diversion and</p> <p>22 Compliance Program."</p> <p>23 Do you see that on the first slide?</p> <p>24 A. Yes, I do.</p>	<p style="text-align: right;">Page 173</p> <p>1 controlled substance complies with DEA</p> <p>2 regulations."</p> <p>3 Do you see that?</p> <p>4 A. I see that.</p> <p>5 Q. "The audit reviews registration,</p> <p>6 security, employee screening, inventory</p> <p>7 requirements, recordkeeping and reporting."</p> <p>8 Do you see that?</p> <p>9 A. Yes, I do.</p> <p>10 Q. Okay. Now, below that is the "Internal</p> <p>11 audits," and the internal audit is what you and I</p> <p>12 were just reviewing under as Exhibit 3. Okay?</p> <p>13 A. Yes.</p> <p>14 Q. Now, do you see the reference</p> <p>15 "Distribution centers undergo more thorough audits</p> <p>16 every three to five years in order to ensure that</p> <p>17 the handling of Schedule II to V controlled</p> <p>18 substances complies with DEA regs"?</p> <p>19 A. Yes.</p> <p>20 Q. Does that comport with your general</p> <p>21 recollection of how frequent the internal audits</p> <p>22 were conducted on the distribution centers?</p> <p>23 A. It certainly sounds like a reasonable</p> <p>24 period of time, yes.</p>

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1 Q. So, during the time -- do you have --  
2 that you were at Walgreens, do you have a  
3 recollection, at least up until the end of '14,  
4 that there were three distribution centers at  
5 Walgreens that handled Schedule II and III opiates?  
6 A. So, I don't remember specific numbers,  
7 but I remember there were differentiations between  
8 the DCs in terms of what products they handled and  
9 that certainly only certain of those DCs handled  
10 Schedule --  
11 Q. So -- I'm sorry.  
12 A. Yeah.  
13 Q. At least according to this entry and  
14 your general recollection, we should -- we should  
15 have in our -- there should have been one or two  
16 audits during your tenure of the distribution  
17 centers while you were at Walgreens. Does that  
18 make sense?  
19 A. That's --  
20 MR. HOUTZ: Object to form, foundation.  
21 BY THE WITNESS:  
22 A. It makes logical sense to me, yes.  
23 BY MR. MOUGEY:  
24 Q. Okay. Who would know that? Where would

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1 we go to know for sure? We have a PowerPoint. You  
2 don't have a specific recollection. But I think  
3 you said that that generally comports with your  
4 recollection of three to five years.  
5 Where would we know for sure? Where  
6 would we go to look of how frequent the internal  
7 audits were of the distribution centers?  
8 A. Probably for sure in the shared drive  
9 would be, again, some record of -- I don't know,  
10 again, what form you'd have to take, but certainly  
11 the data would be there.  
12 Q. All right.  
13 A. I don't know if there is better  
14 locations.  
15 Q. Let me broaden that question up.  
16 Is there a -- and I apologize because I  
17 think you told me this earlier.  
18 But what was the catalyst or initiation  
19 of an audit where they -- was someone in your  
20 group? Did someone keep track of how often the  
21 audits would occur? Or just tell me what the  
22 genesis of an audit was.  
23 A. So, I think there is -- I think you have  
24 to look at it, step up to the overall audit

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1 process.  
2 Q. Okay.  
3 A. Right. So, every year we created an  
4 audit plan that would indicate here are the audits  
5 that we're going to perform this year.  
6 So, that would have been communicated to  
7 the Audit Committee of the board, here's our plan  
8 of audits we anticipate performing, and those would  
9 be a mixture, as I said, of kind of these ongoing,  
10 unique areas.  
11 I recall one, the product recall  
12 process, right. How does products -- how do  
13 products get recalls, what's the process that we  
14 use internally within the stores to pull the  
15 product off the shelf during a recall. So, that  
16 would have been a unique audit. There probably was  
17 no rotation for something like that to find.  
18 But then, again, on these -- that was my  
19 recollection on the DC and the DEA-related  
20 activities, we would have done them on a more  
21 frequent basis. So...  
22 So, that would have been -- the  
23 aggregation of that audit plan would have been  
24 based upon, you know, discussions with management,

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1 discussions with the Audit Committee, et cetera,  
2 and the plan was created, presented and executed.  
3 Q. So, it was a plan your team worked on.  
4 You approved, took to the Audit Committee,  
5 presented it, they approved it and then you all  
6 implemented it. Is that a good recap?  
7 A. That's correct.  
8 Q. So, there should be a document at  
9 Walgreens on an annual basis identifying what  
10 audits were appearing which year, whether they were  
11 unique or on a reoccurring basis?  
12 A. Yes.  
13 Q. Is that fair?  
14 A. I would think there would be some  
15 documents somewhere.  
16 Q. All right. If you would turn to the  
17 Bates No. 17.  
18 Are you still in communication with  
19 anybody in your group that still works at  
20 Walgreens?  
21 A. No, I'm not.  
22 Q. Has it been years since you've talked to  
23 anybody within?  
24 A. That's still at Walgreens? Yeah, it's

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1 probably been years.  
 2 Q. Just whether they are there or not,  
 3 irrespective, do you have a couple of individuals  
 4 that would know of good command of where that  
 5 annual plan was for audits, where it would be?  
 6 A. I would say whoever is the current head  
 7 of audit would probably have that --  
 8 Q. Okay.  
 9 A. -- knowledge. That would probably be  
 10 the best place to go because I would think they  
 11 would have some understanding of history in their  
 12 role. Unless --  
 13 Q. Why don't you come down the food chain a  
 14 little bit.  
 15 A. Unless a lot has changed -- yeah, unless  
 16 a lot has changed --  
 17 Q. Why --  
 18 A. -- in terms of process there.  
 19 Q. I'm sorry. Is there -- was there  
 20 support staff or anybody there that was in charge  
 21 of, when you were there, that was in charge of  
 22 making sure things got in the right place on the  
 23 shared drive?  
 24 A. Generally the team members themselves

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1 did that. So, these -- again, these were not --  
 2 these were shared drives so they would pull  
 3 documents off, put documents on on their own.  
 4 There was no administrative requirement to manage  
 5 that process.  
 6 Q. Okay. Let's turn, flip to the Bates  
 7 No. 17, the page before.  
 8 A. Yes.  
 9 Q. You see at the very last bullet,  
 10 "Handling Suspicious Drug Orders: CS," controlled  
 11 substance, "orders that are of unusual size,  
 12 unusual frequency, or that otherwise deviate from a  
 13 normal pattern for a store in its category, are  
 14 flagged as suspicious and generate a Suspicious  
 15 Control Drug Report."  
 16 Do you have any recollection,  
 17 irrespective of going through this internal audit,  
 18 of your group auditing Walgreens' controlled  
 19 substance order monitoring policies and procedures?  
 20 A. Not directly, no. I think the only  
 21 place I remember seeing those words, the control  
 22 drug order report, I think was when I was shown one  
 23 of these mini-DEA documents in prep. There was a  
 24 reference I believe to that. But I don't -- I

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1 don't recall personally from my years there doing  
 2 anything with that.  
 3 Q. What is a -- what's a mini-DEA document?  
 4 A. That's so --  
 5 Q. The mini-audit?  
 6 A. Yeah, the mini-audit. Sorry.  
 7 Q. All right. And we're going to go  
 8 through those in a minute.  
 9 Now, you're aware that in June of '13  
 10 Walgreens entered into an agreement with the DEA,  
 11 Department of Justice, regarding its both  
 12 distribution and dispensing practices, correct?  
 13 A. I certainly became reacquainted or  
 14 refreshed my memory when we went through the prep  
 15 session.  
 16 Q. Was that -- were you aware in early 2013  
 17 that there were open investigations into Walgreens'  
 18 policies and procedures related to its role as a  
 19 distributor?  
 20 A. I don't honestly recall any direct  
 21 awareness of that. I would likely have been aware  
 22 given my role, but I can't tell you.  
 23 Q. Let's talk about that, just the general  
 24 practices as you reporting to the Audit Committee.

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1 So, I'll tell you what. Let's do this.  
 2 I hand you what we're going to mark as  
 3 Domzalski 11.  
 4 (WHEREUPON, a certain document was  
 5 marked as Walgreens-Domzalski  
 6 Exhibit No. 11: 7/11/12 Board of  
 7 Directors meeting minutes;  
 8 WAG000001 - 000043.)  
 9 BY MR. MOUGEY:  
 10 Q. And this is Bates No. WAG1. The first  
 11 document is dated Wednesday, July 11, 2012.  
 12 Do you see that?  
 13 A. Yes.  
 14 Q. And you have some names and then you  
 15 have obviously pages and pages of black lines  
 16 redacted.  
 17 Do you see that?  
 18 A. Yes.  
 19 Q. Now, turn to the second page of this  
 20 document, and you'll see a Mr. Schwartz?  
 21 A. Yes.  
 22 Q. Do you know who Mr. Schwartz is?  
 23 A. Yes.  
 24 Q. And who is Mr. Schwartz?

<p style="text-align: right;">Page 182</p> <p>1 A. Mr. Schwartz was the Audit Committee  2 chairperson.  3 Q. Okay. So, if we go back to the first  4 page, this is a -- appears to be minutes of the  5 meeting of the Board of Directors of Walgreens held  6 at the company's offices in Deerfield.  7 Do you see that?  8 A. Yes.  9 Q. And would you get minutes of the Board  10 of Directors meetings?  11 A. No.  12 Q. Would you get minutes of the Audit  13 Committee meetings?  14 A. My -- my assumption is I should have  15 seen the minutes of the Audit Committee, but I  16 don't honestly recall directly whether I saw them.  17 Let me just note. There is a -- so,  18 Mr. Schwartz was chairman for a portion of the time  19 I was, and then on the first, in the first line  20 there is a reference to Jan Babiak. Jan became the  21 Audit Committee chair again at some portion of that  22 five and a half years.  23 Q. What was Mr. Schwartz's background?  24 A. Mr. Schwartz --</p>	<p style="text-align: right;">Page 184</p> <p>1 Q. Now, would you sit in on the Audit  2 Committee meetings?  3 A. Yes.  4 Q. And on a regular basis?  5 A. Yes.  6 Q. And, so, if there was a report -- let me  7 do it this way.  8 The "Committee" that's referenced on  9 page 3, do you have an understanding of what that  10 is referencing, a "Committee," upper case C?  11 A. Not from the words on this paper, no.  12 Q. Okay. And the previous page, Bates  13 No. 2, refers to meetings of the Audit Committee?  14 A. Yes.  15 Q. Do you -- you don't have an  16 understanding of whether or not Audit Committee and  17 Committee were the same or how they were referenced  18 in the meeting -- minute meetings (sic)?  19 A. I don't recall that Mr. Schwartz was --  20 I don't recall whether or not he was a chair of any  21 of the other committees. But if -- I guess I would  22 say if you could determine that, whether he was the  23 only -- that's the only committee he chaired, then  24 I would certainly make that assumption. But I</p>
<p style="text-align: right;">Page 183</p> <p>1 Q. If you know.  2 A. -- was an audit partner.  3 Q. Okay. At?  4 A. Arthur Andersen.  5 Q. And how about Jan Babiak?  6 A. An audit partner.  7 Q. Did you know either of them when you  8 were at Arthur Andersen?  9 A. No, I did not. Jan was not at Arthur  10 Andersen. I think she was at one of the other  11 public accounting firms.  12 Q. One of the other ones. All right.  13 Now, these pages don't appear to go --  14 as you can see, we have page 1 and then we have  15 page 6 and page 7, right?  16 A. Yes.  17 Q. Most of these documents have been  18 redacted. The entry on page -- on Bates No. 3, it  19 says, "Mr. Schwartz reported that the Committee in  20 executive session received a report on an ongoing  21 investigation in Florida by the Drug Enforcement  22 Administration."  23 Do you see that?  24 A. Yes, I do.</p>	<p style="text-align: right;">Page 185</p> <p>1 don't know that.  2 I will say on the executive session, so,  3 there is a difference between the meeting itself  4 and the executive sessions that occurred. And, so,  5 the executive sessions included a smaller component  6 of the Audit Committee and so I had, for example, I  7 had a specific executive session with the Audit  8 Committee alone as part of most every meeting.  9 This could have been an executive session that I  10 would not have been included in.  11 Q. And you're not sure when it says  12 "executive session," that kind of is a term of art  13 and it could have been applicable to a couple  14 different things, whether it was the Executive  15 Committee of the Audit Committee meeting or am I --  16 did I say Executive Committee?  17 A. Yeah.  18 Q. I'm sorry. I meant executive session.  19 A. Yeah, no, what I'm saying is if you were  20 to look at an Audit Committee agenda.  21 Q. Right.  22 A. Generally speaking there was -- again,  23 I'm going to put it in terms of what I remember,  24 which is from my current company. We would have,</p>

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1 you know, 12 items on the agenda.  
 2 The only items that were executive  
 3 session items would have been the last agenda item,  
 4 and then those sessions would have been with  
 5 subsections, whether it was with the internal audit  
 6 head, whether it was with management or whether it  
 7 was with the external auditors, who I believe were  
 8 Deloitte in this case.  
 9 So, executive sessions happen, generally  
 10 happen at the end of the meeting and only include  
 11 certain individuals, not the whole -- not the whole  
 12 aggregate. So, a general Audit Committee meeting  
 13 would include members of management --  
 14 Q. Okay.  
 15 A. -- as well as the Audit Committee.  
 16 Q. All right. If you would turn to  
 17 page Bates No. 13 of this document. It's titled  
 18 "Audit Committee Meeting, April 9, 2012"; and  
 19 you'll see your name in the left-hand side about  
 20 three-quarters of the way down.  
 21 A. Yes.  
 22 Q. And that comports with your general  
 23 recollection is that you would be present at least  
 24 most of the Audit Committee meetings. Fair enough?

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1 A. Correct.  
 2 Q. And if you turn the page to Bates  
 3 No. 14, it says, "Company management," excludes  
 4 "Messrs. Wasson, Crawford and Sabatino, left the  
 5 meeting." Oh, "other than Messrs. Wasson, Crawford  
 6 and Sabatino, left meeting. Messrs. Sabatino and  
 7 Crawford reported on the recent action taken by the  
 8 Federal Drug Enforcement Agency in Florida,  
 9 including certain administrative warrants issued to  
 10 the company. Mr. Sabatino indicated that we  
 11 continue to cooperate with the agency."  
 12 Do you see that?  
 13 A. Yes, I do.  
 14 Q. So, at least by April 9 of 2012, were  
 15 you aware that there were administrative warrants  
 16 issued to the company by the DEA?  
 17 A. I don't have specific recollection of  
 18 that. Again, all I can say is given the words  
 19 here, I did not participate in that discussion.  
 20 But whether or not somebody brought that to my  
 21 attention or not, I'm not sure.  
 22 Q. Fair enough. When it says "Company  
 23 management, other than Messrs. Wasson, Crawford and  
 24 Sabatino," would you be included in the "company

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1 management"?  
 2 A. Yes.  
 3 Q. So, you think that, according to this,  
 4 left the meeting and then there was a report?  
 5 A. That's the way I'm reading it.  
 6 Q. Is that the way you are reading this?  
 7 A. That Mr. Wasson, Mr. Crawford and  
 8 Mr. Sabatino stayed and the rest of the team was  
 9 asked to leave.  
 10 Q. Can you help me understand why if on a  
 11 report on the DEA serving administrative warrants  
 12 on Walgreens, why would that have been given to  
 13 just a smaller group of the Audit Committee?  
 14 MR. HOUTZ: Objection; foundation.  
 15 BY THE WITNESS:  
 16 A. I don't know the answer to that.  
 17 BY MR. MOUGEY:  
 18 Q. You don't know. Do you recall being  
 19 aware that Walgreens was under investigation prior  
 20 to the June 2013 agreement?  
 21 A. No, I don't know. I don't recall that.  
 22 Q. Let me make sure I'm -- we're not  
 23 talking past each other.  
 24 You don't recall being aware or you

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1 don't recall being told that there was open  
 2 investigations into Walgreens by the DEA?  
 3 A. I'm not sure I understand the difference  
 4 between those. I'm not aware -- I was -- I don't  
 5 have a recollection of being told or being aware.  
 6 Q. Do you have any recollection that you  
 7 were asked not to perform any audits on Walgreens'  
 8 controlled substance order monitoring policies  
 9 because of the open investigations?  
 10 A. No, I don't recall any --  
 11 Q. At any point in time?  
 12 A. I don't recall any communications  
 13 limiting my scope of responsibilities, no, I don't.  
 14 Q. Now, I'm confused looking through pieces  
 15 of this document. If you would go to WAG18, and  
 16 you see "Compliance Division Update."  
 17 Do you have an understanding of what the  
 18 compliance division was?  
 19 A. Yes.  
 20 Q. What is the compliance division?  
 21 A. There was a -- the company had a chief  
 22 compliance officer, and she was the leader of the  
 23 company's compliance organization.  
 24 Q. And would you be -- was that part of the



<p>Page 190</p> <p>1 Audit Committee?</p> <p>2 A. Was it part of the Audit Committee?</p> <p>3 Would this have been communicated, is that --</p> <p>4 Q. Well, partially. That's kind of a</p> <p>5 second question. But if you look at the previous</p> <p>6 page, Bates No. 17, there is a signature line,</p> <p>7 right, kind of appears that it's the end, Bates</p> <p>8 No. 17. Appears to be the end of a document.</p> <p>9 A. Yes.</p> <p>10 Q. Okay. And then you turn to page 18, and</p> <p>11 it just has "Compliance Division Update" at the</p> <p>12 top, right?</p> <p>13 A. Yes.</p> <p>14 Q. And --</p> <p>15 MR. HOUTZ: I'll also note that at the bottom</p> <p>16 it says page 48 out of 112. So, apparently there</p> <p>17 are 47 pages in front of this that we are not</p> <p>18 seeing.</p> <p>19 MR. MOUGEY: I think that's accurate all the</p> <p>20 way through this document. We have bits and pieces</p> <p>21 of documents, which it's hard to discern what's</p> <p>22 what. It's impossible.</p> <p>23 BY MR. MOUGEY:</p> <p>24 Q. So, Bates No. 18. Can you tell me</p>	<p>Page 192</p> <p>1 "Compliance Division Update"?</p> <p>2 A. Yes.</p> <p>3 Q. And it was updating, to whom we really</p> <p>4 are not sure, but regarding the Walgreens</p> <p>5 compliance initiatives as related to a 2011</p> <p>6 agreement with the DEA.</p> <p>7 Do you see that?</p> <p>8 A. Yes, I do.</p> <p>9 Q. As part -- or chief director of audit,</p> <p>10 do you think it would have been important for you</p> <p>11 to know that there were open investigations into</p> <p>12 Walgreens' distribution centers related to its</p> <p>13 federal responsibilities?</p> <p>14 A. Yes, I do.</p> <p>15 Q. And if you would have known that there</p> <p>16 were ongoing investigations, would you have had a</p> <p>17 practice just at Walgreens in general of what you</p> <p>18 would have done with that information?</p> <p>19 MR. HOUTZ: Object to form.</p> <p>20 BY THE WITNESS:</p> <p>21 A. Can you repeat the question?</p> <p>22 BY MR. MOUGEY:</p> <p>23 Q. Sure. You testified that you don't</p> <p>24 recall knowing whether there were investigations or</p>
<p>Page 191</p> <p>1 whether or not that was -- the compliance division</p> <p>2 update was part of the broader board meeting or was</p> <p>3 it a committee, do you have any idea or</p> <p>4 understanding?</p> <p>5 A. No, I don't know whether this was --</p> <p>6 would have been part of the Audit Committee or the</p> <p>7 general board.</p> <p>8 Q. All right. The use of the word</p> <p>9 "division," does that help you any, whether that's</p> <p>10 a piece of a broader committee or --</p> <p>11 A. This -- the way I would read this is</p> <p>12 that this was the update provided by that group to</p> <p>13 some component of the board.</p> <p>14 Q. Okay. But we don't -- sitting here</p> <p>15 today, you don't know who or what?</p> <p>16 A. Well, I know who the -- when you say</p> <p>17 "who."</p> <p>18 Q. Other than the head of the compliance?</p> <p>19 A. Yeah, yeah.</p> <p>20 Q. When I said who or what, I meant as far</p> <p>21 as members of the board or whether the Audit</p> <p>22 Committee was there?</p> <p>23 A. Right, right.</p> <p>24 Q. So, Bates No. 19, you see the</p>	<p>Page 193</p> <p>1 not, right?</p> <p>2 A. Correct.</p> <p>3 Q. So, whether it's Walgreens controlled</p> <p>4 substance or any type of investigation, if you</p> <p>5 would have found out that there were open</p> <p>6 investigations in your role as chief director of</p> <p>7 audit, how would you have used that information?</p> <p>8 MR. HOUTZ: Object to form.</p> <p>9 BY THE WITNESS:</p> <p>10 A. I guess I can assume I would have</p> <p>11 probably had discussions with the leadership of the</p> <p>12 team responsible for that given area to understand</p> <p>13 more about what was happening.</p> <p>14 BY MR. MOUGEY:</p> <p>15 Q. So, if you were advised that Walgreens</p> <p>16 was under investigation, no matter what department,</p> <p>17 would it have been your practice to contact the</p> <p>18 leadership of that department to find out more</p> <p>19 information?</p> <p>20 A. Yeah, either -- yeah, we -- I generally</p> <p>21 met with all of the CEO's, probably all of the</p> <p>22 CEO's direct reports on a quarterly basis. So,</p> <p>23 whether it would have happened in the normal course</p> <p>24 of day to day or in that kind of a discussion, yes.</p>

<p style="text-align: right;">Page 194</p> <p>1 Q. Now, when you said the CEOs, all of the  2 CEOs, CEOs of different lines of business?  3 A. No. I'm sorry. Of Greg Wasson's direct  4 reports.  5 Q. Okay. Greg Wasson being the CEO, all of  6 his direct reports?  7 A. Correct.  8 Q. Okay. And that would -- the fact that  9 Walgreens was under investigation in a particular,  10 would you call it group or division?  11 A. Yeah, business unit, division, whatever,  12 yep.  13 Q. That would have been part of your  14 regular discussion with the CEO's direct reports of  15 each division?  16 A. Well, certainly if I became aware of it.  17 Q. What I'm asking is a little different.  18 A. Okay.  19 Q. Would you expect that the division  20 heads, direct reports to the CEO, would have  21 notified you during those meetings if their  22 division was under investigation by a regulatory  23 body?  24 A. I would have hoped so.</p>	<p style="text-align: right;">Page 196</p> <p>1 A. No, I did not.  2 Q. Have you ever read that document in  3 total?  4 A. I don't -- I'm not -- I don't recall.  5 No, I don't know.  6 Q. Let me hand you what we'll mark as -- I  7 don't want you to put these committee meetings away  8 in front of you -- as Domzalski 12.  9 (WHEREUPON, a certain document was  10 marked as Walgreens-Domzalski  11 Exhibit No. 12: Binder of  12 documents beginning with Settlement  13 and Memorandum of Agreement;  14 P-WAG-0001.)  15 BY MR. MOUGEY:  16 Q. Exhibit 12. Do you see the top of the  17 first page, "Settlement and Memorandum of  18 Agreement"?  19 A. Yes.  20 Q. And you see the page numbers at the very  21 bottom of the page, Bates 1 of 349?  22 A. Yes.  23 Q. And the first page of this document is  24 WAGMDL490963.</p>
<p style="text-align: right;">Page 195</p> <p>1 Q. Okay. And then once you were given that  2 information by one of the division heads, what  3 was -- did you have a practice of what you would do  4 with that information?  5 A. Probably depended on what it was.  6 Q. Walk me through the different kind of  7 decision tree of what you would do once finding out  8 that a division of Walgreens was under  9 investigation.  10 A. I probably would have spoken with legal  11 as well as the area of focus to understand what  12 actions were being taking place -- or were taking  13 place to determine whether or not there were  14 issues, underlying issues. It could have certainly  15 influenced an audit plan.  16 Q. Meaning that --  17 A. Yeah.  18 Q. -- if there were significant regulatory  19 issues, it may have warranted an audit of that  20 specific division or piece thereof?  21 A. Correct.  22 Q. Did you review the settlement agreement  23 or the MOA, Memorandum of Agreement, with the DEA  24 as preparation for your testimony today?</p>	<p style="text-align: right;">Page 197</p> <p>1 So, we have paragraphs 1, 2, 3, 4, 5 and  2 6 on the first page. Okay?  3 A. Yes.  4 Q. Do you see that paragraph 3 references  5 an April 7, 2011 settlement agreement with the DEA  6 as Appendix A.  7 Do you see that?  8 A. Yes.  9 Q. And Append -- I'm sorry. Paragraph 4  10 references, "Walgreens' Jupiter distribution center  11 as registered with the DEA."  12 And in paragraph 5, that there was an  13 Order to Show Cause and Immediate Suspension on  14 that Jupiter distribution center, and that's  15 referred to as Appendix B, B as in boy.  16 Do you see that?  17 A. Yes.  18 Q. All right. And then paragraph 6, and on  19 the next page 7, 8, 9 and 10, do you see how  20 they're all referencing Appendix C, as in cat?  21 A. Yes.  22 Q. And that each paragraph, 6, 7 and 8, all  23 appear to reference different Walgreens store  24 numbers?</p>

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<p>1 A. Yes.</p> <p>2 Q. Let's turn back to page 13 -- I'm going</p> <p>3 to switch documents on you -- on Exhibit 11, back</p> <p>4 to the meeting minutes.</p> <p>5 And this is the meeting minute of the</p> <p>6 Audit Committee dated April 9, 2012. It has your</p> <p>7 name on it, right?</p> <p>8 A. Yes. Yes.</p> <p>9 Q. And then if we flip the page, the only</p> <p>10 section that's not redacted is a section updating</p> <p>11 certain members on administrative warrants from the</p> <p>12 DEA in Florida, right?</p> <p>13 A. Yes.</p> <p>14 Q. Now, let's go back to Exhibit 12, the</p> <p>15 settlement agreement, the door stopper.</p> <p>16 A. Okay.</p> <p>17 Q. Now, you'll -- would you agree with me</p> <p>18 that Exhibit -- I'm sorry -- yeah, Exhibits 4, 5</p> <p>19 and 6 -- I'm sorry. I will do it this way --</p> <p>20 paragraphs 4, 5, 6, 7, 8 and 9 represent or</p> <p>21 identify several different Walgreens pharmacies and</p> <p>22 one distribution center?</p> <p>23 A. Yes.</p> <p>24 Q. Would you agree that several</p>	<p>1 A. Yes.</p> <p>2 Q. Turn the page to page 2 of 349.</p> <p>3 06997, Oveido, Florida?</p> <p>4 A. Yes.</p> <p>5 Q. All referencing see Appendix C, correct?</p> <p>6 A. Yes.</p> <p>7 Q. So, that's three floors -- three stores,</p> <p>8 I'm sorry, in central and southern Florida,</p> <p>9 correct?</p> <p>10 A. It's three stores in Florida. I don't</p> <p>11 know where they're at, but yes.</p> <p>12 Q. 7, paragraph 7, 03836. Do you see that?</p> <p>13 A. Yes.</p> <p>14 Q. Referencing Port Richey, Florida?</p> <p>15 A. Yes.</p> <p>16 Q. Paragraph 8, 04391, Fort Pierce,</p> <p>17 Florida?</p> <p>18 A. Yes.</p> <p>19 Q. And paragraph 9, 03099, Fort Myers,</p> <p>20 Florida?</p> <p>21 A. Yes.</p> <p>22 Q. And paragraph 10, "On February 23, 2013,</p> <p>23 the ALJ consolidated the seven cases into one</p> <p>24 consolidated proceeding that was scheduled for an</p>
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<p>1 investigations into several Walgreens pharmacies</p> <p>2 and one distribution center was a large-scale</p> <p>3 investigation by the Federal Government into</p> <p>4 Walgreens?</p> <p>5 MR. HOUTZ: Object to form.</p> <p>6 BY THE WITNESS:</p> <p>7 A. I mean, it was exactly what you</p> <p>8 described, four -- five -- four stores out of</p> <p>9 whatever, 7,500 stores, and one distribution</p> <p>10 center. Your words are "large." Yeah, it was</p> <p>11 certainly more than one.</p> <p>12 BY MR. MOUGEY:</p> <p>13 Q. In the -- let's look at where the stores</p> <p>14 are as opposed to the 7,500 number. So, let's just</p> <p>15 start with paragraph 6, and you'll see in the</p> <p>16 right-hand side, 03629, Hudson, Florida.</p> <p>17 Do you see that?</p> <p>18 A. Yes.</p> <p>19 Q. 04727, Fort Pierce, Florida, correct?</p> <p>20 A. Yes.</p> <p>21 Q. Same paragraph.</p> <p>22 A. Yes.</p> <p>23 Q. Paragraph 6, 4727 in Fort Pierce,</p> <p>24 Florida?</p>	<p>1 administrative hearing."</p> <p>2 Do you see that, sir?</p> <p>3 A. Yes, I do.</p> <p>4 Q. And if you go back to paragraph 5, the</p> <p>5 references to the Jupiter distribution center,</p> <p>6 which is one of three Walgreens distribution</p> <p>7 locations in the United States that distributed</p> <p>8 Schedule II and Schedule III narcotics, correct?</p> <p>9 A. It was one that did. Again, I don't</p> <p>10 remember how many did, but yes. It was one that</p> <p>11 did.</p> <p>12 Q. There was a few from Walgreens, correct,</p> <p>13 sir?</p> <p>14 A. Yes.</p> <p>15 Q. So, one out of a few and seven stores --</p> <p>16 six stores in Florida, correct?</p> <p>17 A. Yes.</p> <p>18 Q. If you would, start with Exhibit A. You</p> <p>19 can turn to the tab of this document, and in the</p> <p>20 middle of the page is page 18 of 349.</p> <p>21 A. Yes.</p> <p>22 Q. We added page numbers to make it easier</p> <p>23 because they weren't successive. So, 18 of 349.</p> <p>24 Okay?</p>

<p style="text-align: right;">Page 202</p> <p>1 A. Yes.</p> <p>2 Q. And then turn to 18 of -- I'm sorry --</p> <p>3 19 of 349 and it's titled "Administrative</p> <p>4 Memorandum of Agreement."</p> <p>5 Do you see that, sir?</p> <p>6 A. Yes.</p> <p>7 Q. And that is -- was entered on</p> <p>8 September 30, 2009, correct?</p> <p>9 A. Yes.</p> <p>10 Q. Within six weeks, two months of you</p> <p>11 beginning at Walgreens, correct, sir?</p> <p>12 A. Yes.</p> <p>13 Q. If memory serves me correctly, you</p> <p>14 started in approximately November of 2009, correct?</p> <p>15 A. November.</p> <p>16 Q. The agreement that Walgreens entered</p> <p>17 into with the DEA was over Walgreens' dispensing</p> <p>18 practices in a California store in San Diego, sir.</p> <p>19 Do you see that?</p> <p>20 A. Yes.</p> <p>21 Q. And it lists three general categories,</p> <p>22 dispense -- and I'm on -- do you see "The OTSC</p> <p>23 alleged," Order to Show Cause, "alleged that</p> <p>24 Walgreens," it says, "06094"?</p>	<p style="text-align: right;">Page 204</p> <p>1 correct?</p> <p>2 A. Yes.</p> <p>3 Q. And, so, do you recall when you began at</p> <p>4 Walgreens in November of '09 Walgreens coming to</p> <p>5 the audit department, similar to a product recall,</p> <p>6 and asking you to audit Walgreens dispensing</p> <p>7 practices to make sure that the policies and</p> <p>8 procedures in place would identify prescriptions by</p> <p>9 physicians who weren't licensed in that state?</p> <p>10 A. No, I don't recall that.</p> <p>11 Q. Now, your group had the capability to</p> <p>12 come in and audit Walgreens' policies and</p> <p>13 procedures in a given division and make sure that</p> <p>14 there were -- there was a process in place to</p> <p>15 identify potential issues with, for example,</p> <p>16 dispensing prescriptions written by physicians that</p> <p>17 weren't licensed in that state, right?</p> <p>18 MR. HOUTZ: Object to form.</p> <p>19 BY THE WITNESS:</p> <p>20 A. Yes.</p> <p>21 BY MR. MOUGEY:</p> <p>22 Q. That would be something like just a</p> <p>23 general category of a topic that your group could</p> <p>24 help find a solution to that problem, right?</p>
<p style="text-align: right;">Page 203</p> <p>1 A. Yes.</p> <p>2 Q. "Dispensed controlled substances to</p> <p>3 individuals based on purported prescriptions issued</p> <p>4 by physicians who were not licensed to practice</p> <p>5 medicine in Florida."</p> <p>6 Do you see that?</p> <p>7 A. In California. Yes.</p> <p>8 Q. I'm sorry. Thank you. In California.</p> <p>9 Do you see that?</p> <p>10 A. Yes.</p> <p>11 Q. Now, sir, you mentioned recalled</p> <p>12 products earlier in one of your maybe unique</p> <p>13 audits, correct?</p> <p>14 A. Correct.</p> <p>15 Q. And that you might be asked to come in</p> <p>16 if there is a product recall, to make sure the</p> <p>17 systems and policies and procedures were in place</p> <p>18 at Walgreens to make sure if there is a product</p> <p>19 recall that the products are efficiently taken off</p> <p>20 the shelves, right?</p> <p>21 A. And effectively, yes.</p> <p>22 Q. Otherwise you can have customers at</p> <p>23 Walgreens that are taking a product that was</p> <p>24 recalled and potentially hurting themselves,</p>	<p style="text-align: right;">Page 205</p> <p>1 A. Or could certainly look at it, yeah.</p> <p>2 Q. And, No. 2, "Dispensed controlled</p> <p>3 substances to individuals located in California</p> <p>4 based on Internet prescriptions issued by</p> <p>5 physicians for other than a legitimate medical</p> <p>6 purpose and/or outside the usual course of</p> <p>7 professional practice in violation of federal and</p> <p>8 state law."</p> <p>9 Did I read that right?</p> <p>10 A. Yes, you did.</p> <p>11 Q. Now, your group could have audited</p> <p>12 Walgreens' policies and procedures to identify</p> <p>13 patients who were attempting to fill prescriptions</p> <p>14 based on a physician's -- a physician located in</p> <p>15 another state, correct?</p> <p>16 A. Yeah, for a physician located in another</p> <p>17 state, yes.</p> <p>18 Q. Yes, sir. And you don't recall your</p> <p>19 group ever being brought in to audit or analyze</p> <p>20 Walgreens' policies and procedures related to</p> <p>21 prescriptions from Internet physicians, correct?</p> <p>22 A. No, I don't recall that.</p> <p>23 Q. No. 3, "Dispensed controlled substances</p> <p>24 to individuals that knew or should have known were</p>

<p style="text-align: right;">Page 206</p> <p>1 diverting controlled substances."  2 And that's a pretty general category.  3 It doesn't give you too much direction what it  4 encompasses, right?  5 A. Yes.  6 Q. Now, if you flip to page 21 of 349,  7 you'll see in paragraphs D, E, F and G and then  8 continuing H, I, J, K, direction from the DEA that  9 Walgreens agreed to that it would implement going  10 forward, correct?  11 A. Let me just take a look.  12 So, can you repeat the question?  13 Q. Of course. What you're looking through  14 on page 21 and 22 of 349 are examples of areas  15 within Walgreens' dispensing practices that your  16 group could have been called upon to analyze the  17 policies and procedures to make sure that these  18 problem areas were corrected, correct, sir?  19 A. Yes, that would be correct.  20 Q. And you don't recall at any point in  21 time internal audit being asked to analyze  22 Walgreens' policies and procedures in response to  23 the information on page 21 of 22 of the Memorandum  24 of Agreement, correct, sir?</p>	<p style="text-align: right;">Page 208</p> <p>1 A. Yes.  2 Q. "Walgreens' Florida retail pharmacies,  3 supplied by Respondent, commanded an increasingly  4 large percentage of the state's oxycodone business.  5 In 2010, only three Walgreens retail pharmacies  6 were in the top 100 purchasers of oxycodone within  7 Florida. In 2011, 38 Walgreens pharmacies made the  8 top 100 and six were in the top 10."  9 Do you see that, sir?  10 A. Yes.  11 Q. Now, if you turn to the next page,  12 page 30 of 349, those six pharmacies are  13 identified.  14 Do you see at the top of the page it  15 says "Oxycodone Purchases by Dosage Unit" and it  16 has the years '09, '10 and '11.  17 Do you see that, sir?  18 A. Yes, I do.  19 Q. And the six addresses, store locations,  20 1, 2, 3, 4, 5, 6. Do you see that, sir?  21 A. Yes, I do.  22 Q. Just look at them one by one, and I want  23 you to help me compare. You're the CPA, so you can  24 help me with the math here.</p>
<p style="text-align: right;">Page 207</p> <p>1 A. I don't recall any specific requests  2 from management to do that, no.  3 Q. If you'd look at Exhibit B, sir, which  4 is on page 28 of 349.  5 A. Yes.  6 Q. Exhibit B is the Order to Show Cause and  7 Immediate Suspension of Registration.  8 Do you see that, sir?  9 A. Yes, I do.  10 Q. Now, and under paragraph 1 that the  11 Immediate Suspension of Registration under  12 paragraph 1 refers to the Jupiter distribution  13 center, the same one we were discussing on the  14 first page, correct, sir?  15 A. Yes.  16 Q. And paragraph 4 on page 29 of 349 that  17 "Since 2009, Walgreens' Jupiter, Florida  18 Distribution Center has been the single largest  19 distributor of oxycodone products in Florida."  20 Do you see that, sir?  21 A. Yes.  22 Q. "At about the same time as the abuse of  23 prescription drugs became an epidemic in Florida."  24 Did I read that right?</p>	<p style="text-align: right;">Page 209</p> <p>1 2009 to 2011, the oxycodone by dosage  2 unit for Hudson goes from 388,000 to 2.2 million  3 dosage units over the course of a year or two,  4 correct?  5 A. Correct.  6 Q. And that is an increase of over 500%,  7 correct, sir?  8 A. Correct.  9 Q. And Store No. 2, 95,800 dosage units, in  10 2011, 2.1 million, correct?  11 A. Correct.  12 Q. An increase of over 2,000%, correct,  13 sir?  14 A. Correct.  15 Q. Store 3, 80,900 to 1.684 million,  16 another increase of approximately 2,000%, correct,  17 sir?  18 A. Correct.  19 Q. 2009, No. 4, 344,000 to 1.4 million,  20 correct, sir?  21 A. Correct.  22 Q. Another increase of a little less than  23 500%, correct, sir?  24 A. Correct.</p>



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1 Q. Store No. 5, 250,000 to 1.3 million,  
 2 about again 550%, correct, increase?  
 3 A. Correct.  
 4 Q. Store No. 6, 153,000 to 1.19 million, an  
 5 increase of approximately 650% roughly, correct?  
 6 A. Correct.  
 7 Q. Now, '09, '10, and '11, you were at  
 8 Walgreens as director of its audit unit, correct?  
 9 A. Correct.  
 10 Q. Now, we looked at an audit of the  
 11 Jupiter distribution center in 2010. I believe it  
 12 was Exhibit 3, correct?  
 13 A. Correct.  
 14 Q. Now, the Jupiter distribution center you  
 15 understand is in Florida, correct?  
 16 A. Yes.  
 17 Q. And do you understand that that Jupiter  
 18 distribution center services Walgreens stores in  
 19 Florida, correct?  
 20 A. Yes.  
 21 Q. Up and down the eastern seaboard,  
 22 correct?  
 23 A. Yes.  
 24 Q. And even into states such as Ohio,

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1 correct? You don't know?  
 2 A. That I -- no.  
 3 Q. Now, you would expect your group, when  
 4 you're being asked to perform an audit on this  
 5 Jupiter distribution center and looking to see if  
 6 Jupiter complies with federal statutes and regs,  
 7 that your group would have been apprised at the  
 8 increasing percentages that we just reviewed in  
 9 these six stores serviced by Jupiter, correct, sir?  
 10 MR. HOUTZ: Object to form.  
 11 BY THE WITNESS:  
 12 A. I don't know what specific procedures  
 13 were reviewed to look at increases, and I also  
 14 don't know what time frame they looked at in 2010.  
 15 So, the audit was completed in 2010.  
 16 I don't know if they were looking at --  
 17 usually you pick a period of time that your audit  
 18 period goes through and that's the time frame that  
 19 you would be looking at information related to. I  
 20 don't -- I don't know that looking at the document  
 21 we reviewed.  
 22 BY MR. MOUGEY:  
 23 Q. Sir, but the question I asked you was:  
 24 You would expect your group, when being asked to

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1 perform an audit on the Jupiter distribution  
 2 center, that if the number of oxycodone dosage  
 3 units was increasing at a rate that was  
 4 questionable, that your group would have been made  
 5 aware of that issue, correct, sir?  
 6 MR. HOUTZ: Object to form.  
 7 BY THE WITNESS:  
 8 A. I don't know what they would have been  
 9 made aware of. Depends on what the local  
 10 management or even upper management was  
 11 communicating.  
 12 BY MR. MOUGEY:  
 13 Q. And that's what my question is.  
 14 My question is: When you were  
 15 performing your audit, your group, and it was  
 16 interviewing distribution center management as part  
 17 of the process, correct?  
 18 A. Correct.  
 19 Q. You would have expected distribution  
 20 center management to relay to your team material  
 21 increases in highly addictive pills like oxycodone,  
 22 correct?  
 23 A. I don't know if I can answer that. I  
 24 don't know -- perhaps if we asked a very specific

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1 question, then they would have answered that. I  
 2 don't know if they would have -- I don't know  
 3 whether this would have been an area of focus that  
 4 they would have automatically said you should be  
 5 aware of this. I don't know that.  
 6 Q. When you said "if they would ask a  
 7 really specific question," do you mean your --  
 8 A. If my --  
 9 Q. -- your internal audit group?  
 10 A. Right.  
 11 Q. I mean, your internal audit group, and  
 12 I'm sorry, just the -- you recall the game Pin the  
 13 Tail on the Donkey, right, from when we were kids  
 14 or when you had your kids, or whatever, right?  
 15 A. Um-hmm.  
 16 Q. So, you don't expect your internal audit  
 17 group to play Pin the Tail on the Donkey and just  
 18 kind of guess which questions to ask, correct?  
 19 A. Correct.  
 20 Q. I mean, you would expect -- the question  
 21 is: Is management from the distribution centers to  
 22 alert your audit team of issues of concern,  
 23 correct?  
 24 MR. HOUTZ: Object to form.

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1 BY THE WITNESS:  
2 A. I would hope that as part of the audit,  
3 if the distribution center management had concerns,  
4 that they would have raised them to the auditors.  
5 BY MR. MOUGEY:  
6 Q. And without that information or the  
7 questions raised by possible material increases in  
8 dispensing of oxycodone and distribution from the  
9 Jupiter center, your team wouldn't necessarily know  
10 to go look at it, correct, sir?  
11 A. Not to my knowledge, no.  
12 Q. Let's go back to these minutes of the  
13 Board of Directors, and I'd like you to turn to  
14 page 19.  
15 Again, it's titled "Compliance Division  
16 Update 2012," right?  
17 A. Yes.  
18 Q. And do you see below on Bates No. 19,  
19 "The following are ongoing Company compliance  
20 initiatives (none of which currently represent  
21 material risk to the Company)." Right?  
22 A. Yes.  
23 Q. Now, the "Controlled Substances"  
24 references that April 2011 Memorandum of Agreement

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1 with the Drug Enforcement Agency.  
2 Do you see that?  
3 A. Yes.  
4 Q. And "As part of the MOA, the Company  
5 updated its DEA compliance program and retrained  
6 pharmacy employees with respect to good faith  
7 dispensing and fraudulent prescriptions."  
8 Do you see that, sir?  
9 A. Yes.  
10 Q. Now, do you recall that your group was  
11 ever brought in to audit the validity of the  
12 updated DEA compliance program and the retraining  
13 of pharmacy employees with respect to good faith  
14 dispensing?  
15 MR. HOUTZ: Object to form.  
16 BY THE WITNESS:  
17 A. No, I do not recall that that was a  
18 request.  
19 BY MR. MOUGEY:  
20 Q. On the right-hand side, in the middle of  
21 the paragraph, continues, "In April 2012, the DEA  
22 visited six stores and one distribution center in  
23 Florida and served administrative warrants and  
24 requested records."

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1 Do you see that, sir?  
2 A. Yes.  
3 Q. Again, no request for your group to come  
4 in and perform an audit testing the validity of  
5 Walgreens' compliance -- I'm sorry -- policies and  
6 procedures with the federal statutes and regs  
7 overseeing Walgreens' responsibilities as a  
8 distributor, correct, sir?  
9 MR. HOUTZ: Object to form.  
10 BY THE WITNESS:  
11 A. Correct.  
12 BY MR. MOUGEY:  
13 Q. If you turn -- bear with me.  
14 "Focus on Compliance" -- I'm sorry. I'm  
15 on the next page. Page 20.  
16 Well, let's do it this way.  
17 You don't recall being contacted or  
18 asked by the -- anyone at Walgreens to perform an  
19 audit of distribution centers policies and  
20 procedures as it related to their suspicious order  
21 monitoring program that complied with the DEA  
22 statutes and regulations, correct?  
23 A. I don't recall any such request, no.  
24 Q. Now, since this morning, and tell me if

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1 I'm mistaken, I think you've told me that your  
2 group, two of the ways that it educated itself was  
3 to interview distribution center management,  
4 correct?  
5 A. Correct.  
6 Q. And the other was the regulation and  
7 law, correct?  
8 A. Yeah, the legal team.  
9 Q. Legal team. Thank you.  
10 A. Yeah.  
11 Q. And, now, help me to understand why did  
12 your group go to the distribution centers to gather  
13 information on federal requirements under the  
14 Controlled Substance Act?  
15 A. Well, I think -- I think it was kind of  
16 probably a group session so that there was an  
17 understanding of, you know, questions could be  
18 asked from a legal perspective and then in the  
19 same -- at the same time cover it with the  
20 distribution center team.  
21 I don't know that there was  
22 individual -- again, don't have that level of  
23 recollection as to separate meetings or a group  
24 meeting.

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1 Q. Why -- who would have made the decision  
2 that distribution center management would have had  
3 the best command of policies and procedures as it  
4 relates to Walgreens' obligations under federal  
5 regulations and statutes?  
6 MR. HOUTZ: Object to form, foundation.  
7 BY THE WITNESS:  
8 A. Yeah, I don't think that -- I would say  
9 that legal would have a better understanding of the  
10 requirements, and that's why we involved them in  
11 the process.  
12 BY MR. MOUGEY:  
13 Q. Fair question. Let me ask that question  
14 a little different.  
15 So, outside of legal, would you -- who  
16 would you have asked that would have given you  
17 direction that the distribution centers would have  
18 had the best command of Walgreens' policies and  
19 procedures?  
20 MR. HOUTZ: Object to form.  
21 BY THE WITNESS:  
22 A. I'm not sure I understand.  
23 BY MR. MOUGEY:  
24 Q. Still. Okay. Bad question?

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1 All right. So, let's do it this way.  
2 Suspicious order monitoring policy,  
3 those three letters that we went in from the DEA  
4 earlier on size, frequency and orders that deviate  
5 from a normal pattern, right?  
6 So, would you have expected Walgreens to  
7 give you some direction about who the right group  
8 was to go interview to gather that information?  
9 MR. HOUTZ: Object to form.  
10 BY THE WITNESS:  
11 A. There very well could have been  
12 discussions with like the pharmacy organization --  
13 there was -- I forget. Again, this is a long time  
14 ago.  
15 But I feel like there were people within  
16 the pharmacy organization under Kermit Crawford's,  
17 you know, leadership that would have had  
18 responsibility for defining some of those  
19 requirements. I just don't remember the names of  
20 the groups or teams.  
21 BY MR. MOUGEY:  
22 Q. So, but Kermit Crawford's group was the  
23 pharmacy --  
24 A. The pharmacy --

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1 Q. -- operations?  
2 A. -- business, correct.  
3 Q. And I'm specifically referring to  
4 Walgreens' obligations as a distributor under  
5 federal statutes and regs. Okay?  
6 A. Um-hmm.  
7 Q. Do you know why your group would have  
8 went to the distribution team management to ask  
9 them about Walgreens' obligations as a distributor?  
10 MR. HOUTZ: Object; misstates testimony.  
11 BY THE WITNESS:  
12 A. Yeah, I think -- I think what I said  
13 was -- again, I don't have specific recollection of  
14 the meetings. But I recall that there was, you  
15 know -- that the idea was to speak with both legal  
16 and the DC management team in terms of identifying  
17 what areas we were -- would focus on. So, it was a  
18 combination of those people.  
19 MR. MOUGEY: If we can just take a few-minute  
20 break, that would be great. Thanks.  
21 THE VIDEOGRAPHER: We are off the record at  
22 2:20 p.m.  
23 (WHEREUPON, a recess was had  
24 from 2:20 to 2:52 p.m.)

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1 THE VIDEOGRAPHER: We are back on the record  
2 at 2:52 p.m.  
3 MR. MOUGEY: Mr. Domzalski, thank you for your  
4 time today. I don't have any further questions.  
5 I just want it on the record that when I  
6 walked in this morning, Walgreens' counsel informed  
7 me that you had the health issue. We were not  
8 informed prior to today, as you stated on the  
9 record, that the health issues were cognitive,  
10 memory impairment.  
11 And I said something at the break that  
12 this is the second witness in a row that Walgreens  
13 has opened a deposition with a witness having  
14 health issues that affected memory. In neither  
15 case was I notified before the deposition.  
16 So, I have brought three folks,  
17 including myself here, shipped documents and  
18 prepared for your deposition today, for the second  
19 deposition in a row only to find out that the  
20 witness has memory issues that the Walgreens  
21 counsel knew about days, if not a week, beforehand.  
22 To make matters worse, I believe that  
23 either we haven't received audits or they  
24 weren't -- they weren't conducted and that the

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1 working papers behind the -- I mean, to me, quite  
 2 frankly, would appear to be a book report audit  
 3 without any of the supporting documents that my  
 4 junior in high school could have conducted.  
 5 I don't have any of the backup for any  
 6 of those audits, and I could stand corrected, but  
 7 we have been unable to locate them.  
 8 And the third issue is the manual cited  
 9 in some of the audits. Walgreens has confirmed  
 10 that we have had all the audits for months -- I'm  
 11 sorry -- all the manuals for months, and we don't  
 12 believe that we have one of the audits that we just  
 13 found as cited in one of the -- I'm sorry -- one of  
 14 the manuals cited in the audit.  
 15 So, for those reasons we are going to go  
 16 back to Special Master Cohen, have a -- have the  
 17 Court reset this depo with a witness that we can  
 18 have some reliability as to their recollection of  
 19 the testimony so I don't get to trial and have the  
 20 testimony unwound and undermined.  
 21 This is, like I said -- Les, you seem to  
 22 be one of the easier guys to get along with here,  
 23 but I am very disappointed that this issue was  
 24 known to you and your team a few days ago, a week

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1 ago, and nobody notified us, just as a professional  
 2 courtesy.  
 3 Last week -- what is today, Thursday?  
 4 What day was Lanzetti? Monday?  
 5 So, Monday to Thursday, two witnesses in  
 6 a row have opened with statements about health  
 7 issues impacting their memory.  
 8 And I'm sorry. I hope that doesn't -- I  
 9 feel bad for you. You and I aren't that far apart  
 10 in age. But just out of a professional courtesy,  
 11 we could have had the chance to redo this. We  
 12 might not have even have had to take your time  
 13 today. We could have another witness still at  
 14 Walgreens to replace this.  
 15 I can't tell you how frustrated I am.  
 16 For those reasons, we will hash this out later.  
 17 MR. HOUTZ: Your objections and issues are on  
 18 the record. If you think there are documents that  
 19 haven't been produced, send us a letter identifying  
 20 what it is you're looking for and we'll look into  
 21 it.  
 22 MR. MOUGEY: I will. Thank you. Thank you  
 23 for your time.  
 24 MR. HOUTZ: And I should say also the request

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1 that you think called for those documents.  
 2 THE VIDEOGRAPHER: We are off the record at  
 3 2:56 p.m.  
 4 (Time Noted: 2:56 p.m.)  
 5 FURTHER DEPONENT SAITH NAUGHT.  
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1  
 2 I, CORINNE T. MARUT, C.S.R. No. 84-1968,  
 3 Registered Professional Reporter and Certified  
 4 Shorthand Reporter, do hereby certify:  
 5 That previous to the commencement of the  
 6 examination of the witness, the witness was duly  
 7 sworn to testify the whole truth concerning the  
 8 matters herein;  
 9 That the foregoing deposition transcript  
 10 was reported stenographically by me, was thereafter  
 11 reduced to typewriting under my personal direction  
 12 and constitutes a true record of the testimony  
 13 given and the proceedings had;  
 14 That the said deposition was taken  
 15 before me at the time and place specified;  
 16 That the reading and signing by the  
 17 witness of the deposition transcript was agreed  
 18 upon as stated herein;  
 19 That I am not a relative or employee or  
 20 attorney or counsel, nor a relative or employee of  
 21 such attorney or counsel for any of the parties  
 22 hereto, nor interested directly or indirectly in  
 23 the outcome of this action.  
 24  
 14 CORINNE T. MARUT, Certified Reporter  
 15  
 16 (The foregoing certification of this  
 17 transcript does not apply to any  
 18 reproduction of the same by any means, unless under  
 19 the direct control and/or supervision of the  
 20 certifying reporter.)  
 21  
 22  
 23  
 24

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1           INSTRUCTIONS TO WITNESS

2

3           Please read your deposition over

4 carefully and make any necessary corrections. You

5 should state the reason in the appropriate space on

6 the errata sheet for any corrections that are made.

7           After doing so, please sign the errata

8 sheet and date it.

9           You are signing same subject to the

10 changes you have noted on the errata sheet, which

11 will be attached to your deposition.

12           It is imperative that you return the

13 original errata sheet to the deposing attorney

14 within thirty (30) days of receipt of the

15 deposition transcript by you. If you fail to do

16 so, the deposition transcript may be deemed to be

17 accurate and may be used in court.

18

19

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21

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4 PAGE LINE CHANGE

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6 REASON: \_\_\_\_\_

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24 REASON: \_\_\_\_\_

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1

2           ACKNOWLEDGMENT OF DEPONENT

3

4           I, CHRISTOPHER DOMZALSKI, do hereby

5 certify under oath that I have read the foregoing

6 pages, and that the same is a correct transcription

7 of the answers given by me to the questions therein

8 propounded, except for the corrections or changes

9 in form or substance, if any, noted in the attached

10 Errata Sheet.

11

12

13 \_\_\_\_\_

14 CHRISTOPHER DOMZALSKI           DATE

15

16

17 Subscribed and sworn

18 to before me this

19 \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

20 My commission expires: \_\_\_\_\_

21 \_\_\_\_\_ Notary Public

22

23

24

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1           LAWYER'S NOTES

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